

# COCAINE GAMES OF JUDAEO-MASONRY



# DOPE, INC.

Britain's Opium War against the U.S.



by a U.S. Labor Party  
Investigating Team

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directed by  
Konstandinos Kalimtgis  
David Goldman  
Jeffrey Steinberg

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# Dedication

Lyndon H. LaRouche, Jr.  
New York City  
October 18, 1978

It is with proper pride that we dedicate this book to the often-unsung U.S. intelligence and law enforcement officers who have so often, so obscurely, died or languished in undeserved imprisonment in the silent war of the United States against the British monarchy's illegal drug traffic into our nation.

This book is published with special thanks to those intelligence and law enforcement officials who have given us such extraordinary assistance in cross-checking facts in putting the story together. These have included officials not only in the USA, but our nation's French ally, and also patriots in Canada embittered against what the Bronfmans and others have done to their nation and our own.

It is no exaggeration to sum up the situation thus: the only proper comparison for today's British drug traffic into the USA is the British monarchy's 19th century Opium Wars against China. There is more than a parallel. The same HongShang and other banking interests that developed their wealth in the China opium trade are involved in the financial side of the traffic against the USA — aided by those leading elements of the Zionist Lobby which have controlled organized crime in the USA and the Caribbean since the early 1920s.

This is a calculated form of political warfare against the USA by the British monarchy. Not only are the London-centered Canadian, Hong Kong, Singapore, and British West Indies financial in-

terests involved in pulling tens of billions out of the USA — our biggest source of balance-of-payments losses — but this is a pre-calculated political warfare. The evil British intelligence executive — and head of the Aristotle Society — Bertrand Russell proposed this use of drugs as political subversion back during the 1920s. Among Russell's most prominent collaborators in this effort was Aldous Huxley, coordinator of the 1960s introduction of psychedelic substances to U.S. youth.

The fight against illegal drugs and against the evil forces of "decriminalization" is nothing less than a war against Britain, to the purpose of saving our youth and our nation from the destruction the British monarchy has projected for us.



# Acknowledgments

Dope, Inc. was commissioned in September 1978 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr., and was produced under his direction. At that time the Labor Party launched an international campaign against organized crime and drug traffic. As LaRouche has pointed out numerous times in the pages of the Labor Party's newspaper, *New Solidarity*, the forces that run the drug trade are the same forces that are now unleashing every capability — including scenarios for thermonuclear war — to halt the emergence of a new monetary system represented by the July 6 establishment of the European Monetary System in Bremen, West Germany, a system founded on the principles elaborated by LaRouche in his 1975 proposal for an International Development Bank. An October 1978 statement issued by LaRouche — "A National Strategy to Control Crime" — formed the kernel of this book.

This book is the product of a 100-person combined research team of the U.S. Labor Party in New York City, the Mexican Labor Party in Mexico City, and the European Labor Party in Wiesbaden, West Germany. The efforts of this team, since its founding in January 1974 under the direction of Lyndon LaRouche, drew the circle tighter around the perpetrators of narcotics traffic over a period of years. The authors particularly acknowledge the efforts of Marilyn James, Richard Schulman, and Alfred Ross, whose research supplied the core of this book, and the contributions of Kathy Burdman, Scott Thompson, Paul Goldstein, Harald Hermann, Joseph Brewda, Roger Moore, Michelle Steinberg, Peter Wyer, Karen Steinherz, and Peter Ennis. Our appreciation also goes to Linda Frommer, the book's

editor, who accomplished the final stage of the manuscript's completion.

The authors are unfortunately unable to thank by name the many former and currently serving law enforcement officers of several nations who took the greatest risk in coming forward with information and experience to indict the most dangerous enemy of all.



# Introduction

America is at war. For the first time since 1865, the battleground is not abroad, but on the streets and schools of American cities. Casualties registered in the course of the conflict are incomparably higher than at any other time in American history. We are fighting for our lives, and in the most literal sense, for the lives of our children. Until now, we have been losing.

The enemy's most deadly weapon is dope.

Unlike most wars, which force both combatants deeply into debt, in this undeclared war the offensive power becomes wealthier and wealthier, while the stupefied victim becomes impoverished. In return for destroying the minds, and in many cases the lives, of the 48 million Americans hit by this weapon, the enemy exacts a payment of \$50 billion in retail drug sales alone in the United States, and \$200 billion worldwide. That \$200 billion, robbed from the world's productive sector, is the slush fund for everything evil in the world, including political terrorism — and including the murder of American Presidents.

There is not a parent, thinking over the destruction of a child, who really believes that drug abuse is a self-inflicted crime. Americans, no matter what else they have learned to tolerate, believe that the advancement of the next generation is part of the way things should be. If an entire generation of Americans is in jeopardy of being lost, then someone has done this to them.

We will tell you precisely who has done this — who has the ability to control the flow of dope from the mountains of the Far East and the valleys of Colombia to American high schools, who controls the banks which launder the \$200 billion in take, who puppeteers the crime syndicates in charge of retail distribution,

and who corrupts our political life. It is the same people against whom we fought the American Revolution, who set up the world opium trade a century and a half ago, and who run it today: the aristocratic and banking oligarchy of Great Britain..

Look into the motionless stupor of the mind of a youth who has been sapped and destroyed by addiction. Incapable of reason, incapable of thought, today's addicted youth lives for only one thing: his "fix," his "high." Then consider the body count of Britain's Opium War against the United States: Over 48 million Americans, mostly between theages of 12 and 25 are officially known by the Drug Enforcement Administration to be frequent users of heroin, cocaine, and marijuana. Over one-fourth of the American people are severely wounded or dead in a war the country has not yet mobilized to fight.

The Drug Enforcement Administration has released these statistics on drug use by Americans:

#### Heroin

500,000 daily users (other sources place this hardcore addict figure at between 750,000 and 1 million)

4,000,000 occasional users

#### Cocaine

575,000 users between the ages of 12-17

4,500,000 users between the ages of 18-25

1,000,000 users over the age of 25

#### Marijuana

11,000,000 daily users

24,000,000 occasional users

These figures do not include that portion of the population addicted to amphetamines, barbiturates, and hallucinogens. This figure alone according to recent reports from the National Institute of Drug Abuse constituted between 12 and 25 percent of all patients admitted to federally funded drug clinics during 1977. The last census taken of drug abuse in 1974, issued as a Report to the President, calculated conservatively that close to one and a half million Americans had "gotten into trouble"—been



arrested, treated, or hospitalized — through the use of amphetamines or barbiturates. When calculated for only youth of high school age, the rate of amphetamine and barbiturate use was four times as great as that of the adult population.

Since the inauguration of Jimmy Carter, whole categories of drug abuse are no longer monitored. The computer system of the Drug Enforcement Administration has been shut down. Behind that action is the grim fact that many of Mr. Carter's domestic policy advisors are on record as being committed to decriminalization of deadly drugs — beginning with marijuana. If such policies go through, statistics will be meaningless: drug abuse will treble within months of legalization. The \$200 billion take for the British drug traders will climb to \$300 billion.

## The world's biggest business

How is the \$200 billion monstrosity of world drug revenues hidden? In the most important way, it is not. The flow of narcotics and dirty money is conducted in the full light of day, the same way rum-running was conducted during Prohibition. Only misdirection prevents the public from understanding who the enemy is. Massive crimes are not hidden under cover of darkness, but under the cover of an effective lie. The operative lie in this case is "Free Enterprise."

When Sam Bronfman sold his rotgut to American mobsters, supplied by the old British distillers and financed by the old British banks, it was a matter of free enterprise: what the mob did with it after it crossed the American border was of no concern to him. When Meyer Lansky made his first heroin connection with Britain's dope-trading Keswick family in Shanghai in 1920, the sale was legal and in the light of day; what the mob did with the heroin later was not the responsibility of Britain's Far East traders.

Now, when the Hongkong and Shanghai Bank "launders" the \$10 billion annual flow of narcotics money through Hong Kong, is it anything but a matter of "free enterprise" where their deposits come from and their loans go? When the Bronfmans in Canada

and the Jacobs family of Buffalo finance organized crime, is it anything more than a "free enterprise" business relationship? The entire army of the enemy was built, and functions, under the open view of the public.

In fact, the chain of interlocking "free enterprise" relationships that describes the flow of drugs and dirty money in and out of the United States only masks the type of conspiracies that Americans see not in pulp thrillers, but in nightmares. We will uncover these conspiracies, the spider's web of the British monarchy — the Italian-surname organized crime syndicates, London's Zionist-cover terrorist operation, the secrets of Peking's dope-running foreign intelligence organization. We will trace them all back to their common "mother," the great aristocratic families of Britain.

With this report, you will see your enemy as he is, behind the veils of misdirection, past the Hollywood parodies of organized crime. We are now in sight of the day when we will turn the tide against the dope warriors of Great Britain — by striking at the head of the beast.

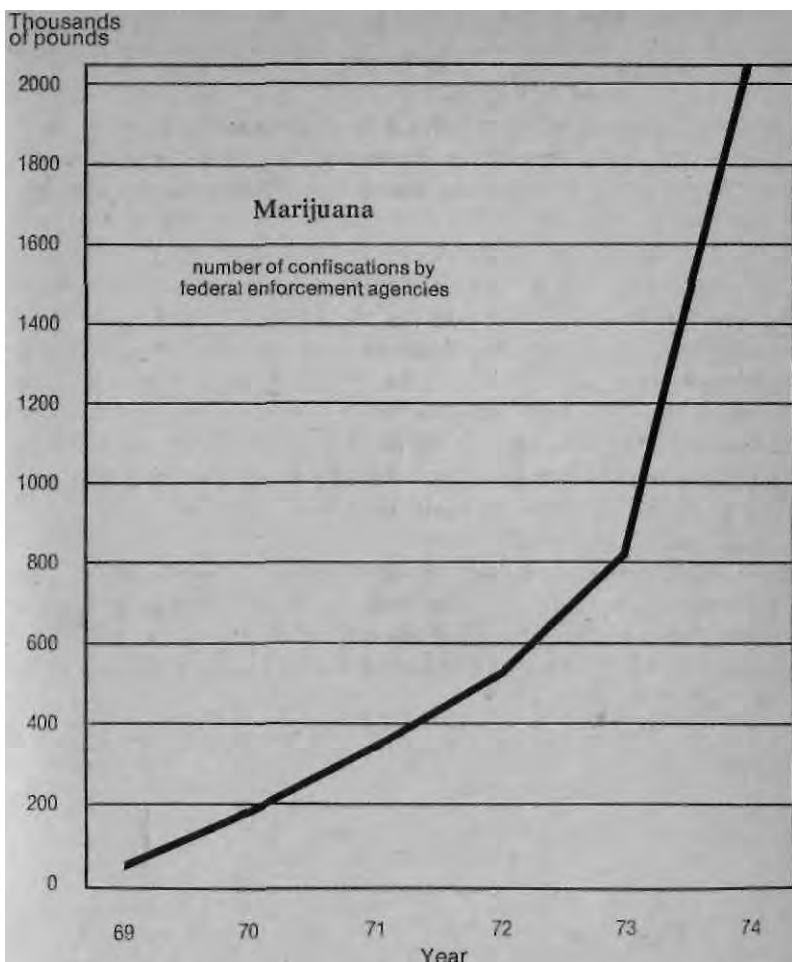


Fig.1  
The Rate of Increase in Marijuana Use in the USA

The above graph of confiscations of marijuana by federal enforcement agencies provides only a rough barometer of the accelerated increase of marijuana smuggling into and use in the USA between 1969 and 1974. As is common knowledge, from 1974 to the present, marijuana use has gone up at a rate whose acceleration dwarfs that depicted above. In the past year alone, "drug decriminalization" campaigning by British agents-of-influence in the White House, and governors and Congressmen in the hip-pockets of Edgar Bronfman and Meyer Lansky, has caused marijuana use to increase at an astronomical rate.

# PART I

## History of Britain's First Opium Wars

# Introduction

This is the setting for what follows below: narcotics are pouring in from abroad through a well-organized, efficient group of smugglers. One-fifth of the population abuses drugs, an epidemic surpassing any known since the Great Plagues. Not only the poor, but the wealthy and the children of the wealthy have succumbed. Within the nation, organized crime displays its drug profits without shame, ruling local governments, and threatening the integrity even of national government. None of their opponents is safe from assassins, not even the chief of state. Law enforcement is in shambles. The moral fiber of the nation has deteriorated past the danger point.

And one of the leading dope-traffickers writes to his superiors abroad, "As long as this country maintains its drug traffic, there is not the slightest possibility that it will ever become a military threat, since the habit saps the vitality of the nation." (1)

The description is familiar, but we are not writing of America in 1978, but China in 1838, on the eve of the first Opium War, when Great Britain landed troops to compel China to ingest the poison distributed by British merchants.



An American President lies dead of an assassin's bullet. Corrupt members of the Cabinet cover the tracks leading to a conspiracy, including the leading narcotics mobs, ethnic-based secret societies, and a foreign government. The public does not believe that the assassin acted alone, but the weight of the cover-up, the silence of the leading press, and the deaths of witnesses blur the trail from the public's view.

Was that the death of John F. Kennedy? It was also the death of Abraham Lincoln.

During the last century, British finance protected by British guns controlled the world narcotics traffic. The names of the families and institutions are known to the history student: Matheson, Keswick, Swire, Dent, Baring, and Rothschild; Jardine Matheson, the Hongkong and Shanghai Bank, the Chartered Bank, the Peninsular and Orient Steam Navigation Company. Britain's array of intelligence fronts ran a worldwide assassination bureau, operating through occult secret societies: the Order of Zion, Mazzini's Mafia, the "Triads" or Societies of Heaven in China.

Paging back over the records of the narcotics traffic and its wake of corruption and murder, the most uncanny feature of the opium-based Pax Britannica is how shamelessly, how publicly the dope-runners operated. Opium trading, for the British, was not a sordid backstreet business, but an honored instrument of state policy, the mainstay of the Exchequer, the subject of encomia from Britain's leading apostles of "Free Trade" — Adam Smith, David Ricardo, Thomas Malthus, James Mill, and John Stuart Mill. The poisoning of China, and later the post-Civil War United States, did not lead to prison but to peerages. Great sectors of the Far East became devoted to the growing of the opium poppy, to the exclusion of food crops, to the extent that scores of millions of people depended utterly on the growing, distribution and consumption of drugs.

The Keswicks, Dents, Swires and Barings still control the world flow of opiates from their stronghold in the British Crown Colony of Hong Kong. Jardine Matheson, the Hongkong and Shanghai Banking Corporation, and the Peninsular and Orient Steam Navigation Company still control the channels of

production and distribution of the drugs from the Far East, through the British dominion of Canada, into the United States. By an uninterrupted chain of succession, the descendants of the Triads, the Mafia, and the Order of Zion still promote drug traffic, dirty money transfers, political corruption, and an Assassination Bureau even more awesome than the conspiracy that claimed Abraham Lincoln's life. Of course, the drug revenues of this machine are no longer tallied in the published accounts of the British Exchequer. But the leading installations of the drug traffic are no more hidden than they were a hundred years ago. From the Crown Colony of Hong Kong, the "HongShang" Bank does what the Keswicks set it up to do: provide centralized rediscounting facilities for the financing of the drug trade. Even the surnames of senior management are the same.

Even today, the grand old names of Prohibition liquor and dope-running rouse the deep awareness of Americans: Bronfman, Kennedy, Lansky. Are the denizens of the India opium trade, of the Prohibition mob, imprisoned in the history books and behind the movie screen? Not infrequently, the observer feels a momentary lapse in time, and sees not a history book, but the morning newspaper, not the late-night movie, but the evening television newscast.

The story we have to tell happened twice. It first happened to China, and now it is happening to the United States. Emphasizing that neither the names nor the hangouts of the criminals have changed, we begin by telling how it happened the first time.

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# Britain's First Opium Wars

From 1715, when the British East India Company opened up its first Far East office in the Chinese port city of Canton, it has been official British Crown policy to foster mass-scale drug addiction against targeted foreign populations in order to impose a state of enforced backwardness and degradation, thereby maintaining British political control and looting rights. While the methods through which the British have conducted this Opium War policy have shifted over the intervening 250 years, the commitment to the proliferation of mind-destroying drugs has been unswerving.

It was the British Crown's categorical opposition to and hatred for scientific and technological progress that led it to adopt an Opium War policy during the last decade of the 18th century. Having stifled the development of domestic manufacturing during the previous century, the British Crown found its treasury rapidly being drained of silver reserves — the only payment the Chinese Emperor would accept in exchange for silk, tea, and other commodities Britain imported. To reverse the silver exodus, which threatened to collapse the financial underpinnings

of the British Empire, King George III mandated the East India Company to begin shipping large quantities of opium from Bengal in the British Crown Colony of India into China. The dual objective was to favorably alter the balance-of-payments deficit and to foster drug addiction among China's mandarin class. By the time of the American Revolution, East India Company opium trafficking into China was officially reported to be at a scale 20 times the absolute limit of opium required for medical and related use.

In a very direct sense, the Founding Fathers of the United States fought the American Revolution against the British Crown's opium policy.

\* East India Company intelligence operative Adam Smith's *Wealth of Nations* spelled out the colonial looting policy against which the Founding Fathers rebelled. In that same document — as part of the same scheme to defend the Empire — Smith advocated a massive increase of East India Company opium exporting into China. (2)

\* The dirty money culled from that opium trade made up a sizable portion of the war chest that financed Britain's deployment of Hessian mercenaries into North America to attempt to crush the rebellion.

\* The "Secret Committee" of the East India Company — under the direction of Lord Shelburne and company chairman George Baring — coordinated British secret intelligence's campaign of subversion and economic warfare against the newly constituted American republic even before the ink had dried on the Treaty of Paris (1783). (3)

After the American Revolution, Smith's call for a dramatic increase in opium exporting into China was enacted with a vengeance. From 1801 to 1820, official British figures placed the opium trade at approximately 5,000 chests per year. By the late 1820s, a network of trading companies operating under overall East India Company "market control" was founded to facilitate the trade. Some of these British opium houses, including the biggest, Jardine Matheson & Co. Ltd., maintain an active hand in Far East heroin trafficking to this day.

The establishment of these trading companies — the core of

Britain's Opium War infrastructure — fostered an epidemic-scale increase in opium trafficking into China. By 1830-31, the number of chests of opium brought into China increased fourfold to 18,956 chests. In 1836, the figure exceeded 30,000 chests. In financial terms, trade figures made available by both the British and Chinese governments showed that between 1829-1840, a total of 7 million silver dollars entered China, while 56 million silver dollars were sucked out by the soaring opium trade. (4)

When the Chinese Emperor, confronted by a galloping drug addiction crisis, tried to crack down on the British trading companies and their dope smugglers, the British Crown went to war.

In 1839, the Chinese Emperor appointed Lin Tse-hsu Commissioner of Canton to lead a campaign against opium. Lin launched a serious crackdown against the Triad gangs sponsored by the British trading companies to smuggle the drugs out of the "Factory" area into the pores of the communities. The Triad Society, also known as the "Society of Heaven and Earth," was a century-old feudalist religious cult that had been suppressed by the Manchu Dynasty for its often violent opposition to the government's reform programs. The Triad group in Canton was profiled and cultivated by Jesuit and Church of England missionaries and recruited into the East India Company's opium trade by the early 19th century. (5)

When Lin moved to arrest one of the British nationals employed through the opium merchant houses, Crown Commissioner Capt. Charles Elliot intervened to protect the drug smuggler with Her Majesty's fleet. And when Lin responded by laying siege to the factory warehouses holding the tea shipments about to sail for Britain until the merchants turned over their opium stockpiles, Elliot assured the British drug pushers that the Crown would take full responsibility for covering their losses.

The British Crown had its "casus belli." Matheson of the opium house Jardine Matheson joyously wrote his partner Jardine — then in London, conferring with Prime Minister Palmerston on how to pursue the pending war with China:

... the Chinese have fallen into the snare of rendering



themselves directly liable to the Crown. To a close observer, it would seem as if the whole of Elliot's career was expressly designed to lead on the Chinese to commit themselves, and produce a collision.

Matheson concluded the correspondence: "I suppose war with China will be the next step." (6)

Indeed, on October 13, 1839, Palmerston sent a secret dispatch to Elliot in Canton informing him that an expeditionary force proceeding from India could be expected to reach Canton by March, 1840. In a follow-up secret dispatch dated November 23, Palmerston provided detailed instructions on how Elliot was to proceed with negotiations with the Chinese — once they had been defeated by the British fleet.

Palmerston's second dispatch was, in fact, modeled on a memorandum authored by Jardine dated October 26, 1839, in which the opium pusher demanded: 1) full legalization of opium trade into China; 2) compensation for the opium stockpiles confiscated by Lin to the tune of £2 million; and 3) territorial sovereignty for the British Crown over several designated off-shore islands. In a simultaneous memorandum to the Prime Minister, Jardine placed J&M's entire opium fleet at the disposal of the Crown to pursue war against China. (7)

The Chinese forces, decimated by ten years of rampant opium addiction within the Imperial Army, proved no match for the British.

The British fleet arrived in force and laid siege in June of 1840. While it encountered difficulties in Canton, its threat to the northern cities, particularly Nanking, forced the Emperor to terms. Painfully aware that any prolonged conflict would merely strengthen Britain's bargaining position, he petitioned for a treaty ending the war.

When Elliot forwarded to Palmerston a draft Treaty of Chuenpi in 1841, the Prime Minister rejected it out of hand, replying, "After all, our naval power is so strong that we can tell the Emperor what we mean to hold, rather than what he should say he would cede." Palmerston ordered Elliot to demand "admission of opium into China as an article of lawful

commerce," increased indemnity payment, and British access to several additional Chinese ports. (8)

The Treaty of Nanking, signed in 1842, brought the British Crown an incredible sum of \$21 million in silver — as well as extraterritorial control over the "free port" of Hong Kong — which to this day is the capital of Britain's global drug-running.

The First Opium War defined the proliferation of and profiteering from mind-destroying drugs as a cornerstone of British Imperial policy. Anyone who doubts this fact need only consider this policy statement issued by Lord Palmerston in a January 1841 communique to Lord Auckland, then Governor General of India:

The rivalry of European manufactures is fast excluding our productions from the markets of Europe, and we must unremittingly endeavor to find in other parts of the world new vents for our industry (i.e., opium — ed.). . . If we succeed in our China expedition, Abyssina, Arabia, the countries of the Indus and the new markets of China will at no distant period give us a most important extension to the range of our foreign commerce. . . . (9)

It is appropriate to conclude this summary profile of Britain's first Opium War by quoting from the 15th edition of the *Encyclopedia Britannica*, published in 1977. What the brief biographical sketch of Lin Tse-hsu — the leader of the Chinese Emperor's fight to defeat British drugging of the Chinese population — makes clear to the intelligent reader is that British policy to this day has not changed one degree:

... he (Lin—ed.) did not comprehend the significance of the British demands for free trade and international equality, which were based on their concept of a commercial empire. This concept was a radical challenge to the Chinese world order, which knew only an empire and subject peoples. ... In a famous letter to Queen Victoria, written when he arrived in Canton, Lin asked if she would allow the importation of such a poisonous substance into

her own country, and requested her to forbid her subjects to bring it into his. Lin relied on aggressive moral tone; meanwhile proceeding relentlessly against British merchants, in a manner that could only insult their government.

## Britain's opium diplomacy

Not a dozen years would pass from the signing of the Treaty of Nanking before the British Crown would precipitate its second Opium War offensive against China, with similar disastrous consequences for the Chinese and with similar monumental profits for London's drug-pushers. Out of the second Opium War (1858-1860), the British merchant banks and trading companies established the Hongkong & Shanghai Corporation, which to this day serves as the central clearinghouse for all Far Eastern financial transactions relating to the black market in opium and its heroin derivative.

Furthermore, with the joint British-French siege of Peking during October 1860, the British completed the process of opening up all of China. Lord Palmerston, the High Priest of the Scottish Rites, had returned to the Prime Ministership in June 1859 to launch the second war and thereby fulfill the "open China" policy he had outlined 20 years earlier.

Like the 1840 invasion of Canton, the second Opium War was an act of British imperial aggression — launched on the basis of the first flimsy pretext that occurred. Just prior to his ordering of a northern campaign against Peking (which permitted the British to maintain uninterrupted opium trafficking even while a state of war was underway), Lord Palmerston wrote to his close collaborator Foreign Secretary Lord John Russell (grandfather and guardian of the evil Lord Bertrand Russell). "We must in some way or other make the Chinese repent of the outrage," wrote Palmerston, referring to the defeat suffered by a joint British-French expeditionary force at Taku Forts in June 1859. The expeditionary fleet, acting on orders to seize the forts, had run aground in the mud-bogged harbor and several hundred

sailors attempting to wade to shore through the mud were either killed or captured. "We might send a military-naval force to attack and occupy Peking," Palmerston continued. (10) Following Palmerston's lead, The Times of London let loose a bloodcurdling propaganda campaign:

England, with France, or England without France if necessary. . . shall teach such a lesson to these perfidious hordes that the name of Europe will hereafter be a passport of fear, if it cannot be of love throughout their land. (11)

In October 1860 the joint British-French expeditionary force laid siege to Peking. The city fell within a day with almost no resistance. Despite French protests, British commander Lord Elgin ordered the temples and other sacred shrines in the city sacked and burned to the ground — as a show of Britain's absolute contempt for the Chinese.

Within four years of the signing of the Treaty of Tientsin (October 25, 1860), Britain was in control of seven eighths of the vastly expanded trade into China. This trade amounted to over £20 million in 1864 alone. Over the next 20 years, the total opium export from India — the overwhelming majority of which was still funneled into China — skyrocketed from 58,681 chests in 1860 to 105,508 chests in 1880. (12)

. Furthermore, the opening of China prompted the British opium traders to diversify into "legitimate business." The opium firms opened cotton traffic into China — to the point that cotton cloth shipments into China (like the opium shipments) quadrupled from 1856-1880 from 115 million yards of cloth to 448 million yards.

The London opium traffickers' diversification into the cotton trade at the close of the second Opium War intersected with the same London oligarchy's shifting of its principal strategic policy focus to the destruction of the United States — beginning with the efforts to wreck the republic via the British-sponsored Civil War. The massive expansion of cotton exporting was undertaken with full knowledge that U.S. cotton production — centered in the

Deep South slavocracy — would be severely disrupted with the pending "civil war" destabilization in North America. (13)

The slave and cotton trade in the South was run to a significant degree by the same Scottish-based families that also ran the opium traffic in the orient. The Sutherland family, which was one of the largest slave and cotton traders in the South, were first cousins of the Matheson family of Jardine Matheson. The Barings, who founded the Peninsular & Orient Steamship Line heavily involved in the opium trade, had been the largest investors in U.S. clipper shipping from the time of the American Revolution. The Rothschild family as well as their later "Our Crowd" New York Jewish banking cousins, the Lehman Bros., all made their initial entry into the United States through the pre-Civil War cotton and slave trade.

In the case of the U.S. Civil War, the British opium traffickers bet on the loser. By the mid-1860s, cotton goods from the southern United States were back on the international markets, triggering waves of bankruptcies among London speculators who bet on dramatic inflation in the prices of Indian and Egyptian cotton. As in the period immediately following Britain's loss of its American colonies during 1776-87, the oligarchy turned to an expanded opium traffic to paste over the losses.

To facilitate the planned expansion of the opium trade, the British banking and merchant circle founded the Hongkong & Shanghai Corporation in 1864. Almost simultaneously, the Matheson family founded Rio Tinto (now Rio Tinto Zinc), a tin mining venture in Spain which soon began shipping these ores as a method of payment for the opium.

Who founded the Hongkong and Shanghai Corporation? The same circle of merchant banking, trading, and shipping families — centered around the British monarchy — who opened the East India Company's opium trade as an instrument of British state policy during the previous century.

The following points summarize British Opium War policy against China through the 19th century:

- \* Open sponsorship of mass-scale opium addiction of targeted colonial and neocolonial populations by the British Crown;



\* Willingness of Her Majesty's government to deploy military force up to and including full-scale conventional warfare in support of the opium trade;

\* Build-up of an allied terrorist and organized criminal infrastructure employing revenues gained from opium trade and related black market activities.

## Protecting the opium market

Even through the early decades of the present century, Britain retained an open diplomatic posture on behalf of unrestricted drug profiteering.

In 1911, an international conference on the narcotics problem was held at The Hague. The conference participants agreed to regulate the narcotics trade, with the goal in mind of eventual total suppression. The success of the Hague Convention, as it was called, depended on strict enforcement of the earlier Anglo-Chinese agreement of 1905. Under that agreement, the Chinese were to reduce domestic opium production, while the British were to reduce their exports to China from British India correspondingly.

The Chinese, who had subscribed enthusiastically to both the 1905 and 1911 protocols, soon discovered that the British were completely evading both by sending their opium to their extra-territorial bases, Hong Kong and Shanghai. Opium dens in the Shanghai International Settlement jumped from 87 licensed dens in 1911 at the time of the Hague Convention to 663 dens in 1914! (14) In addition to the trafficking internal to Shanghai, the Triads and related British sponsored organized crime networks within China redoubled smuggling operations — conveniently based out of the warehouses of Shanghai.

If anything, British profiteering from the opium trade jumped as the result of the reversion to a totally black-market production-distribution cycle. Ironically, the legalization of the opium trade into China forced upon the Emperor through the Opium Wars had cut into British profits on the drug. Legalization had brought with it the requirement that the British opium

merchants pay import duties, an overhead they did not have to absorb when the drug trade was illegal.

In yet another act of contempt for the Hague Convention, Britain issued a major new loan to Persia in 1911. The collateral on that loan was Persia's opium revenues. (15)

Even with the post-Versailles creation of the League of Nations, Britain flaunted its drug trafficking before the world community. During this period, Her Majesty's opium trafficking was so widely known that even the Anglophile U.S. newsweekly *The Nation* ran a series of documentary reports highly critical of the British role. (16)

At the Fifth Session of the League of Nations Opium Committee, one delegate demanded that the British government account for the fact that there were vast discrepancies between the official figures on opium shipments into Japan released by the Japanese and British governments. The British claimed only negligible shipments, all earmarked for medical use, during the 1916-1920 period; while the Japanese figures showed a thriving British traffic. When confronted with this discrepancy as *prima facie* evidence of large-scale British black market smuggling of opium into Japan, the British delegate argued that such black marketeering merely proved the case for creating a government owned opium monopoly.

As late as 1927, official British statistics showed that government opium revenues — excluding the far more expansive black market figures — accounted for significant percentages of total revenue in all of the major Far East Crown colonies. (17)

British North Borneo	23 percent
Federated Malay States	14 percent
Sarawak	18 percent
Straits Settlements	37 percent
Confederated Malay	28 percent

In India as well, official Crown policy centered on protection for the opium market. According to one recently published account, when Gandhi began agitating against opium in 1921

. . . his followers were arrested on charges of "undermining the revenue." So little concerned were the British about the views of the League of Nations that after a commission under Lord Inchcape had investigated India's finances in 1923, its report, while recognizing that it might be necessary to reduce opium production again if prices fell, went on to warn against diminishing the cultivated area, because of the need to safeguard "this most important source of revenue."

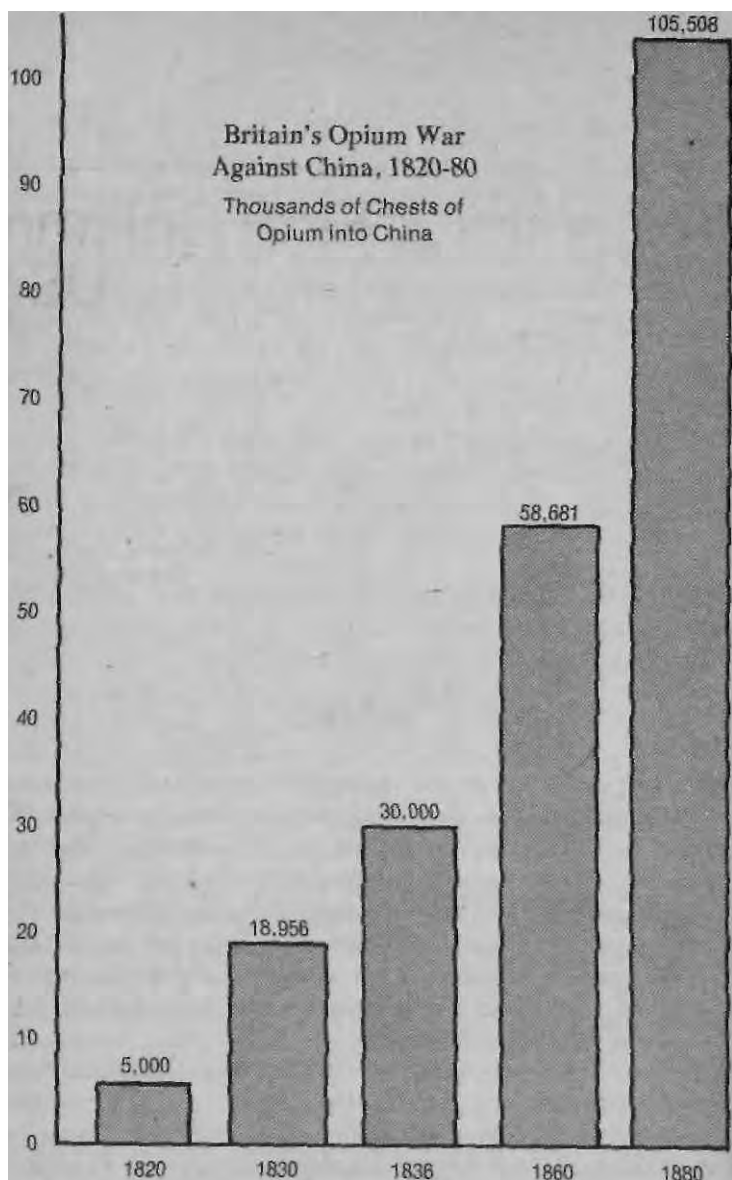
. . . while the British Government was professing to be taking measures to reduce consumption of opium and hemp drugs, its agents in India were in fact busy pushing sales in order to increase the colony's revenues. (18)

Lord Inchcape — who chaired the India Commission which endorsed continued opium production in British India — was a direct descendant of the Lord Inchcape who during the previous century founded the Peninsular & Orient Steamship Line and subsequently helped found HongShang as the clearinghouse bank for opium trade. Through to the present, a Lord Inchcape sits on the boards of P & O and the HongShang.

In 1923, the British-run opium black market represented such a seriously perceived international problem that Representative Stephen Porter, Chairman of the U.S. House of Representatives Foreign Affairs Committee, introduced and passed a bill through Congress calling for country-by-country production and import quotas to be set on opium that would reduce consumption to approximately 10 percent of then-current levels. The 10 percent figure represented generally accepted levels of necessary medical consumption.

Porter's proposal was brought before the League of Nations Opium Committee — where it was publicly fought by the British representative. The British delegate drafted an amendment to Porter's plan which called for increased quotas to account for "legitimate opium consumption" beyond the medical usage. This referred to the massive addict population in British colonies and spheres of influence (predominantly in Asia) where no

regulations restricted opium use. The enraged U.S. and Chinese delegations led a walkout of the plenipotentiary session; the British rubberstamped the creation of a Central Narcotics Board designated with authority to gather information and nothing more; and the journalists stationed in Geneva henceforth referred to what remained of the Committee as the "Smugglers Reunion." (19)



A chest of opium in 1820 sold for \$2,075 on arrival at the port of Canton. While this figure tended to drop marginally as the volume of traffic increased after 1830, any calculation of cash valuation of the opium trade into China establishes a figure that very nearly parallels "the present \$100-200 billion (when appropriate calculations are made to account for differences in purchasing power of the dollar in ratio to total volume of world production) in annual "black" revenues.



## 2

# Palmerston's Fifth Column, USA

### The assassination bureau

Narcotics traffic was the business of organized crime during the 19th century no less than in the 20th, and Britain's Opium War cabinet spun out a web of criminal connections that crisscrossed the globe. Prime Minister Palmerston conducted, the opium business behind a screen of respectability, in full public view. What remained hidden — until the report of the Military Commission that heard evidence on the Lincoln Assassination — was the importance of Palmerston's secret life, as Patriarch of the Scottish Rite of Freemasonry.

It does not surprise the modern student that the perpetrators of the narcotics traffic show up in every element of the dirty side of 19th century politics, including presidential assassinations. But the extent of the web of criminal networks put in place by Palmerston could have come out of a Gothic horror story, American counterintelligence specialists of the time, such as Edgar Allan Poe and Samuel Morse (1), knew the problem well.

Palmerston's irregulars, employed in illegal dope trafficking,

assassinations, and "Fifth Column" subversions against the United States in the period before and during the Civil War, are the linear ancestors of what is now called organized crime. The Chinese "Triads," or Societies of Heaven; the Order of Zion and its American spinoff, the B'nai B'rith; "Young Italy," whose Sicilian law enforcement arm became known as the Mafia; the Jesuit Order based in decaying Hapsburg Austria; Mikhail Bakunin's bomb-throwing anarchist gangs; and nearly every other inhabitant of Britain's political netherworld followed a chain of command that led through the Scottish Rite of Freemasonry directly to Lord Palmerston and his successors.

The model for the Scottish Rite operation is the ethnic secret society — Jewish, Italian, or Chinese. Closest to hand among Palmerston's agencies was the Order of Zion, a highly specialized dirty tricks operation founded by London-based Hofjuden ("Court Jew") families, whose close ties to the British oligarchy traced back to the founding of the Bank of England, and before that to an alliance with the piratical financiers of post-Renaissance Genoa. The names of these families will appear and re-appear throughout this report, including the Mocattas and Goldsmids, gold dealers in London before even the Bank of England was there, now the operators of one of the world's most sophisticated money-laundering devices; the Montefiores, now central figures in the modern Most Venerable Order of St. John of Jerusalem; and the de Hirsch family, whose tightly controlled colonization program for Jews in Canada brought the present leaders of organized crime to the New World.

Control over the Order of Zion rested in the British Board of Deputies, founded in 1763 and still in action. One of the board's earliest presidents was Sir Moses Montefiore, described in contemporary accounts as "Queen Victoria's favorite Jew." (2) When Montefiore took command of the board in 1835, its dirty tricks division, the Order of Zion, was on the verge of launching the covert campaign that would lead to both the Lincoln assassination, and the founding of organized crime, so-called, in the United States. Through the efforts of Montefiore, later Prime Minister Benjamin Disraeli (the Earl of Beaconsfield), and the

then nouveau riche Rothschilds, the Order of Zion nursed into being the leadership of the Confederacy.

Their starting point was the 1843 founding of the B'nai B'rith, also called the Constitutional Grand Lodge of the Order of the Sons of the Covenant, as a recognized branch of the Scottish Rite for American Jews. B'nai B'rith's first headquarters were at 450 Grand Street in Manhattan, at the house of Joseph Seligman, the wealthy "dry goods" merchant. (3) Seligman, whose name survives on Wall Street along with such of his contemporaries as August Belmont, Loeb, Schiff, and Lazard, was allied to the cotton-trading British oligarchy.

B'nai B'rith was a straightforward covert intelligence front for the Montefiores and Rothschilds. Its American house organ, the Menorah, could not disguise its relationship to the Rothschilds. It chose to flaunt it:

"The name Rothschild, in all countries is a synonym for honor and generosity, and no name in Europe has a popularity so great and so well merited. The Rothschilds in France occupy a social position even higher than that of the English branch of the family." (4)

The Menorah was also frank on the subject of the B'nai B'rith's relationship to the Scottish Rite Freemasons:

"Their reunions were frequent and several of them being members of then existing secret benevolent societies and especially of the Order of the Free Masons, and Odd Fellows, they finally concluded that a somewhat similar organization, but based upon the Jewish idea, would best obtain their object." (5)

Once in operation, the B'nai B'rith effectively merged its operations with another branch of the Scottish Rite, based in the Midwest and South — the Knights of the Golden Circle, the forerunner of the Ku Klux Klan, the training ground for the entire Confederate military and political leadership. (6) Its most important American operative was Judah P. Benjamin, a British subject and leader of the B'nai B'rith, whose amazing career included a brief term as Confederate Secretary of War and then Secretary of State, during the closing phases of the Civil War. (7) Another British subversive agent later worked together with Benjamin to found the Ku Klux Klan. He was Dr. Kuttner

Baruch, B'nai B'rith leader and grandfather of Bernard Baruch, a leading Wall Street Anglophile. (8) Their colleagues in that venture included Confederate General Albert Pike, a Grand Commander of the Scottish Rite, and a Jesuit priest. (9) The same group carried out the Lincoln assassination — which raises questions concerning the Defense Department's refusal to release secret files concerning that assassination. Are they afraid to embarrass the now politically powerful B'nai B'rith?

The B'nai B'rith and its Confederate opposite numbers, the Knights of the Golden Circle and the Ku Klux Klan, were only three of the many parallel operations that Palmerston brought to life during the 1860s. In Britain, future Prime Minister Disraeli, the man who evaded debtors' prison through the help of the House of Rothschild, launched the "Young Englanders." (10) In Italy, the local leader of the Scottish Rite, Mazzini, organized and commanded "Young Italy." (11) Scottish Rite member and Rothschild agent Alexander Herzen initiated a similar group covertly, avoiding the watchful eyes of the Czarist secret police; his best-known protege took the name Bakunin. (12) In China, as of the second Opium War, the long-established "Triad" secret societies had already taken the retail distribution franchise for the distribution of British opium imported from India, and had become an uncontrollable, paramilitary arm of British "free trade."

What Palmerston and his colleagues had at their disposal was an International Assassination Bureau, capable of eliminating any chief of state who resisted British policy objectives. Not much different from the Red Brigades of Italy or the Baader-Meinhof terrorists of Germany today, the Scottish Rite's rainbow gathering of secret societies took money from the narcotics traffic and orders from Lord Palmerston.

What must be judged, in the long run, as the most deadly of these organizations was organized on an international footing at the same time that B'nai B'rith appeared in the United States. Disraeli, Moses Montefiore, and other leading British Hofjuden founded a new masonic-style order called, in the original French, the "Alliance Universelle Israelite." It became known — and feared — under the name of its elite secret arm, the Order of

Zion. (13) Most of the Order of Zion's funding was provided through the London and Paris banking houses of Rothschild, Montefiore, and de Hirsch. In crucial respects, the Order of Zion and Palmerston's Scottish Rite of Freemasonry were indistinguishable. In France, for example, the head of both organizations was the same individual, Adolphe Isaac Cremieux. (14)

Order of Zion leader Judah P. Benjamin was the individual who gave the order for Lincoln's assassination, according to the one authoritative historical document in the public domain, the report of the Judge Advocate assigned to investigate the assassination and report to the Military Commission responsible. (15) The report cites the orders of Confederate President Jefferson Davis and Judah Benjamin. According to this document, Confederate secret intelligence had raised a dirty tricks slush fund of \$649,000 through the sale of Confederate bonds in Liverpool. At the time, the headquarters of this outfit, called the Secret Cabinet, were housed in St. Lawrence Hall in Montreal — in the same building occupied by the Commander in Chief of British forces in Canada, General Sir Fenwick Williams. (16) The report names George N. Sandis as the group's money mover; Sandis was an American citizen, formerly an advisor to Democratic presidential candidate Stephen Douglas, and Consul of the United States in Liverpool under the Pierce Administration.

Eight days before Lincoln's death, the chief of the Secret Cabinet — former Interior Secretary in the Buchanan Administration, Jacob Thompson — withdrew \$180,000 from the group's account at the Bank of Montreal in Montreal, to set the murder plot in motion. (17) His courier was one John Harrison Suratt, a British agent trained at Jesuit Georgetown College. Neither Thompson nor Benjamin was ever apprehended; both fled to England and remained there under the Crown's protection. (18) This evidence, heard on June 25 and June 26, 1865, ran up against a cover-up effort under the direction of Secretary of War Edward Stanton that compares in audacity with the work of the 1963 Warren Commission. The relevant raw documentary is not available to researchers. The documents

relating to the Lincoln assassination are still locked up in the archives of the Defense Department. Jefferson Davis, who lived comfortably in Montreal after the collapse of the Confederacy, kept his papers in the Bank of Montreal, the same bank that conduited the funds for the assassination itself. If they are still in the vaults of the Bank of Montreal, the bank has not acknowledged this. (19)

These facts concerning the death of President Lincoln are more than a useful case history, illustrating the power of the dope trade's criminal networks. If the leads developed in New Orleans District Attorney Garrison's investigation of the Kennedy assassination were accurate, the two murders were the work of the same operation. All that is necessary is to cross out the names "Secret Cabinet" and "Judah Benjamin," and write in: Perminde and Major Louis Bloomfield (see Part III, Section 3).

From what remains of the official record, there is no question that the death of Abraham Lincoln was traced to British-controlled and British-funded networks by American military intelligence. It must be underscored that much more than the central figure of Lord Palmerston brought these networks into the mainline of the narcotics traffic. Southern cotton, for which the British verged on invading the United States during the Civil War (20), was not merely a facet of the same trading operation that produced the dope trade; for all purposes, it was the dope trade. Opium was the final stage in the demand cycle for British-financed and slave-produced cotton. British firms brought cotton to Liverpool. From there, it was spun and worked up into cloth in mills in the north of England, employing unskilled child and female labor at extremely low wages. The finished cotton goods were then exported to India, in a process that destroyed the existing cloth industry, causing widespread privation. India paid for its imported cloth (and railway cars to carry the cloth, and other British goods) with the proceeds of Bengali opium exports to China. Without the "final demand" of Chinese opium sales, the entire world structure of British trade would have collapsed. Palmerston's above-cited remark concerning the future of British trade in opium-consuming China and other parts of the East was, in fact, a matter of hard contingency.

Britain's new instrument of subversion in the United States was controlled elements of Italian and Chinese immigration, combined with the Order of Zion entity that had been in place since 1843. By the turn of the century, the different ethnic networks became so intertwined that, for generic purposes, the name "organized crime" applies to all of them.

The implantation of the ethnic secret societies into the United States is a complex story, but may be centered accurately in a few case histories. One is the way that the family of Sam Bronfman — the man who shipped enough liquor to the United States to double the size of Lake Erie, in the testimony of Lucky Luciano — got to North America. Bronfman's story begins, in fact, in Romania, where the Order of Zion secret organization achieved its first major victory, a coup d'etat that brought King Charles of Romania to the throne in 1887. In the years following the Civil War, the Order of Zion merged with the much older Cult of Mizraem, a centuries-old covert organization that dated back to the days of Genoese and Hapsburg intrigue and assassination. (21) From the British side, Sir Moses Montefiore, and on the Romanian front itself, American Consul Benjamin Peixotto, aided the local secret society in installing a new monarch. (22) Peixotto held a leadership position in the American B'nai B'rith and was a member of the Order of Zion.

## The Elders of Zion

Romania became, in consequence, a nesting place for the most lurid form of Central European covert operations until the Second World War. The character of the political machine the Order of Zion installed in that country is perhaps best illustrated by the strong support Order of Zion elements gave to the Romanian Green Shirt Nazis, who seized power in Hitler's wake during the 1930s. (23) Romanian Jews show up prominently in American organized crime, as well as in the terrorist activities of the Israeli secret service, the Mossad.

The Order of Zion was simply the Jewish division of the Most Venerable Order of St. John of Jerusalem, the London-centered

chivalric order and secret society, whose members swear — and act on — a blood oath. A secret meeting in Paris in 1884 yielded the famous minutes of the Order, published under the title, *Protocols of the Elders of Zion*. The minutes were intercepted and published by the Russian counterintelligence service, the Okhrana. (24) Probably, the decision to publish the captured minutes involved retaliation against the Order of Zion's role in fomenting a sweeping destabilization against the government of Russian Prime Minister Count Witte, whose government fell during the so-called 1905 Revolution. Witte had sought an alliance with Germany and France against Britain on a program that included the industrial development of Russia. The question of the authenticity of the *Protocols* has been a matter of fierce, even hysterical dispute. The question may be settled with dispatch by a textual comparison between the oaths of the Order of Zion printed in the *Protocols*, and the blood-curdling oaths sworn by initiates into the fourth Grade of the Knights of Columbus of Mexico, which maintains close ties to the Jesuits and to the Order of St. John of Jerusalem, which reads in part as follows: (25)

I, \_\_\_\_\_, in the presence of all-powerful God, the blessed Virgin Mary, the blessed St. John the Baptist . . . by the belly of the Virgin Mary, the womb of God and staff of Jesus Christ, I declare and swear that his holiness the Pope is vice regent of Christ and sole and true head of the universal Catholic Church on earth, and in virtue of the keys to do and undo given to your holiness by my savior Jesus Christ, (you) have the power to depose kings and heretics, princes, states, communities and governments and dismiss them from office without risk. . . .

I promise and declare that I will, when the opportunity presents itself to me, wage war without quarter, secretly or openly, against all the heretics, Protestant and Mason, such as I may be ordered to do, in order to extirpate them from the face of earth, and I will not take into account either age, sex or station, and I will hang, burn, strangle and bury alive those infamous heretics: I will cut open the



stomachs and wombs of their women and smash the heads of the babies against the rocks and walls, in order to annihilate the execrable race; that when this cannot be done openly, I will secretly employ the poison cut, strangulation, the sword, dagger or bullet, without consideration for the honor, rank, dignity or authority of the persons, whatever their status in public or private life may be, such as I may be ordered at any time. . . .

If I manifest falsity or weakness in my determination, I consent that my brothers and comrade soldiers in the army of the Pope may cut off my hands, my feet and slit my throat from ear to ear. . . .

I promise to execute and fulfill this oath, in testimony whereof, I take this sacred sacrament of the Eucharist and affirm it even with my name written with the point of this dagger, drenched in my own blood and sealed in the presence of this holy sacrament. Amen. (26)

Romania's Order of Zion stronghold produced, among other criminal elements, one Yechiel Bronfman, who emigrated to Canada in 1889. The circumstances of Bronfman's emigration are noteworthy. His passage was paid by the de Hirsch family fund for settlements in Canada — which conferred benefits with strings attached. De Hirsch political screening of new immigrants was so precise that a significant number of new arrivals were sent back without funds, for unreliability. (27).

The important features of the arrival of the Italian "Mafia" in the United States are inseparable from the story of the Order of Zion. Mazzini, the sponsor of the Mafia in Italy, reported directly to the most prominent of Britain's Hofjuden, Prime Minister Benjamin Disraeli, and received funding from the leading British Hofjuden bankers, Rothschild and Montefiore. (28) Correspondingly, when Mazzini sent his lieutenants into the United States, the veterans of the "Young Italy" movement moved into channels already carved out by the likes of ex-General Pike and B'nai B'rith. The combination of Hofjuden-controlled crime networks and the Mafia provided the framework for organized crime on a big-business scale.

## Mazzini's mafia

The first arrivals of the Italian-speaking mob followed the tracks of the original "dry goods" merchants who figured so prominently in the B'nai B'rith, the grandfathers and fathers of the Our Crowd banking group in New York City. New Orleans, the first base of the Lehmans and Lazards in the United States, also became the receiving station for the Mazzini networks. Most important, the first recorded evidence of organized Mafioso activity in the United States identifies the Mazzini networks with General Pike's guerrilla war against the "Reconstruction" South.

Nothing depicts this arrangement better than the stories of the first New Orleans godfathers, Joseph Macheca and Charles Matrenga. Protéges of Mazzini, they took over the New Orleans franchise on behalf of the Palermo mob, which reported to Mazzini and thence to Disraeli. The chain of command was so well known that the joke made the rounds that the word "mafia" was really an acronym for "Mazzini autorizza furti, incendi, e attentati" — "Mazzini authorizes theft, arson, and kidnapping." (29) The first of the Mazzini networks drifted in before and during the Civil War. "The Mafias in New Orleans, New York, and Palermo were separate societies," wrote one leading historian of the period, "but they cooperated closely. A member who was properly sponsored could be transferred from one city to another, from one family to another." (30)

By the close of the Civil War, Disraeli's Mafia was in the hands of one Joseph Macheca. By contemporary accounts, the activities of the Macheca gang were indistinguishable from those of the Klan. In 1868, Macheca organized the New Orleans side of Democratic candidate Seymour's campaign against Ulysses S. Grant. Seymour's funding and political direction came from August Belmont, the Rothschilds' official business agent in the United States. The campaign, such as it was, was described as follows in the New Orleans Picayune:

This popular and pleasant-mannered gentleman (Macheca) organized and commanded a company of Sicilians, 150 strong, known as the Innocents. Their

uniform was a white cape bearing a Maltese Cross (the insignia of the British Royal Family's Order of St. John of Jerusalem — ed.) on the left shoulder. They wore sidearms and when they marched the streets they shot at every Negro that came in sight. They left a trail of a dozen dead Negroes behind them. General James E. Steadman, managing the (Seymour) campaign, forbade them from making further parades and they were disbanded. (31)

One historian of the Mafia notes, "This matter-of-fact account is the first report of a formal Sicilian organization in New Orleans, and it is likely that from the ranks of these armed Innocents came the nucleus of Macheca's Mafia." (32)

Belmont's presidential candidate ran on a program drafted at the Seligman and associated Our Crowd banking houses in New York: the repeal of Lincoln's Emancipation Proclamation. The same cousins of the British Hofjuden controlled General Pike and his hooded goons, the Ku Klux Klan, whom Macheca's gangsters took such great pains to imitate — along with the conceit of the Maltese Cross. Pike, Macheca, and their paramilitary irregulars unleashed a wave of violence across the South that buried Lincoln's Reconstruction policy not many years after the President himself.

The historical record shows that Macheca's group in New Orleans, which started out by shooting blacks for the copperhead Our Crowd banks in New York, had proved its mettle by the early 1870s. It became the jumping-off point for the organization of the mob throughout the United States. Macheca provided a base for Mazzini's syndicate organizer of the first years of the Mafia, Giuseppe Esposito. A close Mazzini associate, Esposito fled Sicily in the early 1870s, arriving in New Orleans to make contact with Macheca. Esposito traveled through the United States, pulling together Italian-speaking secret societies and establishing inter-city communications where none had existed before. From Esposito's tour onwards, the Sicilian-speaking secret societies became crime syndicates. Mazzini's representative on the scene had absolute authority over the local god-fathers, even over the leader of the New Orleans base organiza-

tion. Macheca's "Mafia leadership was eclipsed briefly," according to one historian, "from 1879 to 1881, when he temporarily deferred to Giuseppe Esposito." (33)

Macheca died at the hands of a New Orleans mob, which dragged him from a prison cell and lynched him, after he had been arrested for the murder of a policeman. (34) His old lieutenant Matrenga took over the reins. Macheca's death left a deep impression on the syndicates; possibly this is the point where the mob decided to "go legit," its strategy ever since. In order to do so, the Matrenga gang turned back to the Hofjuden.

The vehicle for the New Orleans mob's conversion to "legitimate business" in 1900 was another Romanian Jew, an immigrant from the Romanian province of Bessarabia, whence Yechiel Bronfman had migrated to Canada some ten years earlier. The new immigrant, one Samuel Zemurray, obtained financing from a group of Boston and New York Our Crowd banks, and bought out a portion of the Macheca gang's shipping interests. A historian comments, "Joe Macheca's shipping line merged with four others to form the great United Fruit Company, which remains one of the largest of all U.S. firms." (35) United Fruit — rechartered recently as United Brands Company — traditionally brought in Our Crowd bankers for its top management. Nonetheless, the Sicilian mob was remembered with nostalgia. When Charles Matrenga died in 1943, the entire board of United Fruit turned out for the funeral. (36)

From these most prominent among the Jewish and Italian ethnic crime stories of the formative years of the American syndicates, the roots of the narcotics traffic and associated evils are already evident. The Bronfmans, we will document later, founded and bankrolled the modern-day Murder Incorporated, Perminindex, the firm that police agencies in the United States and Europe have suspected of organizing the murders of John F. Kennedy, Italian oil magnate Enrico Mattei, and former Italian premier Aldo Moro, as well as the many attempts on the life of Charles de Gaulle. It was in New Orleans that District Attorney Garrison linked the remnants of the old Macheca mob to the events in Dallas in November 1963. As old Charles Matrenga withdrew into a "legitimate" back-

ground, the day-to-day operations of the New Orleans mob fell into the hands of Sylvestro Carolla, who, in turn, passed the godfather's mantle onto Carlos Marcello in the early 1950s. What had begun as a small secret cult, receiving direction from the London center of the Scottish Rite of Freemasonry and Prime Minister Disraeli's Order of Zion, had spread across the American South, the Caribbean, and Central America. It maintained close ties with Meyer Lansky and the British installations in the West Indies.

And, according to sources in the Drug Enforcement Administration, 20 percent of cocaine smuggled into the United States arrives on the ships of United Brands.

## The Chinese entry

Opium and morphine, in the early days of the mob, were not illegal drugs; heroin only came into circulation at the turn of the century and was not made illegal as a prescription drug until 1924. But the British dope-runners had a direct hand in the infiltration of narcotics into the United States, through the third wave of crime-tainted immigration, from China.

Not coincidentally, the first large-scale importing of opium into the United States commenced with the "coolie trade," referred to by its British Hong Kong and Shanghai sponsors as the "pig trade." Even before the Civil War, the same British trading companies behind the slave trade into the South were running a fantastic market in Chinese indentured servants into the West Coast. In 1846 alone, 117,000 coolies were brought into the country, feeding an opium trade estimated at nearly 230,000 pounds of gum opium and over 53,000 pounds of prepared (smoking) opium. (37) Although Lincoln outlawed the coolie trade in 1862, the black marketeering in Chinese (the term "Shanghaied" referred to the merchant company kidnapping — through the Triad Society — of impoverished and often opium-addicted Chinese) continued at an escalating rate through to the end of the century. Often these Chinese "indentureds" would put their entire earnings toward bringing their families over to the

U.S. This traffic in Chinese immigrants represented one of the earliest channels of opium into the country, and laid the foundations for the later mass-scale drug trade out of the Chinatowns developed in San Francisco, Vancouver, and other West Coast cities during this period.

The amount of opium coming into the United States during the last quarter of the 19th century is measured by the fact that in 1875, official government statistics estimated that 120,000 Americans — over and above the Chinese immigrant population — were addicted to opium! (38)

Adding to the opium addiction was the fact that British pharmaceutical houses had begun commercial production of morphine in the years leading up to the Civil War and made large quantities available to both armies. The British firms misrepresented the morphine as a "nonaddictive" pain killer and even had the audacity to push it as a cure for opium addiction.

## The British Brahmins in the U.S.

The nature of the London-centered cycle of international trade from cotton to opium further cultivated a group of British financial allies in the United States. Some of these allies are comprador trading families whose activities span the entire period from the inception of the opium traffic through to the Second World War.

Most important among these groups is the Astor family dynasty, whose founder, John Jacob Astor (1763-1848) made his fortune in Chinese opium sales. One of his biographers reports, "We see that quicksilver and lead from Gibraltar and opium from Smyrna, as well as some iron and steel from the North of Europe, began in 1816 to take a conspicuous place in the list of Astor's imports into China... Since according to Dr. Kenneth Scott Latourette, quicksilver and opium did not become regular articles of import into China by Americans till about 1816, Astor must have been one of the pioneers of their introduction." (39)

Leveraged into investments in Manhattan real estate, John Jacob Astor's opium earnings formed the basis of one of

America's largest family fortunes. Participation in the China opium trade, a de facto monopoly of the East India Company at the time Astor took part in the traffic, was a privilege extended only to Americans the East India Company thought deserving. Other American firms active in the Canton trade did not touch opium. (40) Possibly, Astor's trading privileges were a British pecuniary reward for services as a British intelligence operative in the United States. Astor provided funds for the escape of his attorney Aaron Burr after Burr murdered Alexander Hamilton; at the time, Burr was a British intelligence agent. Burr's control, and the man to whom he fled after the murder of Hamilton, was East India Company employee Jeremy Bentham. (41)

Apart from the Astor group in New York City, the East India Company developed similar networks in Philadelphia and Boston, among other American cities. The leading British merchant bank Baring Brothers, which remodeled the old East India Company as an instrument for the opium traffic after William Pitt's installation as British Prime Minister in 1783, acquired a group of business partners (and brothers-in-law) in Quaker Philadelphia. The family the Barings married into was William Bingham's, reportedly the richest in the United States at the turn of the nineteenth century. Barings were prominent throughout the first years of the China traffic, founded the Hongkong and Shanghai Bank in 1864, and retained their family seat on its directing "London Committee" as of the HongShang's 1977 annual report.

One historian describes how closely the Bingham group aped the British oligarchy:

Bingham was a most enthusiastic admirer of the British financial system which he desired to see copied in America. . . . Immense wealth enabled the Bingham's to import fashions, and copy the Duke of Manchester's residence in Philadelphia. . . they gave the first masquerade ball in the city, encouraging what soon became a mania among the American rich — a passion for dressing up as aristocrats.

The Bingham's finally achieved their ambitions by

uniting two daughters to foreign aristocrats: one to Count de Tilly, and the other to a member of the London banking house of the Barings, who later became Lord Ashburton. (42)

Another Philadelphia family that united itself with Baring Brothers was that of millionaire Stephen Girard, (43) whose interests survived under the family name, in Philadelphia's multibillion dollar Girard Bank and Trust.

Several of the old "Boston Brahmin" families, however, made it into the mainstream of the 19th century opium traffic, alongside the well-remembered British names of Jardine, Matheson, Sassoon, Japhet, and Dent. The Perkins and Forbes families achieved notoriety in the traffic after the East India Company's monopoly expired in 1832, and after the Astors had ceased to be an important factor. William Hathaway Forbes became so prominent an associate of the British trading companies that he joined the board of directors of the Hongkong and Shanghai Bank in 1866, two years after its founding.

Hathaways, Perkins, and Forbes operated through a joint outlet, Russell and Company, formed around the Perkins family shipping empire, a "business reaching from Rio to Canton." (44) The fortunes of these families, as with the Philadelphia group, began with the slave trade — handed to them when the British dropped the slave trade as unprofitable in 1833. The China clippers of Russell and Company made not only Perkins's fortune, but most of the city of Boston's. A biographer reports, "By merging and creating. Russell and Company, he was responsible to a large degree in the establishing of all of Boston's merchant families — Cabots, Lodges, Forbes, Cunninghams, Appletons, Bacons, Russells, Coolidges, Parkmans, Shaws, Codmans, Boystons and Runnewells." (45)

Baring Brothers, the premier merchant bank of the opium traffic from 1783 to the present day, also maintained close contact with the Boston families. John Murray Forbes (1813-98) was U.S. agent for Barings, a post occupied earlier by Philadelphia's Stephen Girard; he was the father of the first American on the HongShang board.



The group's leading banker became, at the close of the nineteenth century, the House of Morgan — which also took its cut in the Eastern opium traffic. Thomas Nelson Perkins, a descendant of the opium-and-slaves shipping magnate who founded Russell and Company, became the Morgan Bank's chief Boston agent, through Perkins's First National Bank of Boston. Morgan and Perkins, among other things, provided the major endowments for Harvard University. (46) Morgan's Far Eastern operations were the officially conducted British opium traffic. Exemplary is the case of Morgan partner Willard Straight, who spent the years 1901-12 in China as assistant to the notorious Sir Robert Hart, chief of the Imperial Chinese Customs Service, and hence the leading British official in charge of conducting opium traffic. Afterwards he became head of Morgan bank's Far Eastern operations. (47)

The above facts are necessary to round out the historical background to the opium traffic today. What makes them especially interesting is the intricate trail that leads investigators of present-day drug financing back to the same American families and American banks. In Part III, we will blow the cover of Philadelphia's old "Main Line" Quaker families, whose present generation controls not only the leading supply of illicit amphetamines in the United States, but funds a whole array of street-level drug-trafficking operations as well.

Morgan's case deserves special scrutiny from American police and regulatory agencies, for the intimate associations of Morgan Guaranty Trust with the identified leadership of the British dope banks (see Part II, Section 7). Jardine Matheson's current chairman David Newbigging, the most powerful man today in Hong Kong, is a member of Morgan's international advisory board. The chairman of Morgan et Cie., the bank's international division, sits on the Council of the Royal Institute of International Affairs. The chairman of Morgan Grenfell, in which Morgan Guaranty Trust has a 40 percent stake, Lord Catto of Cairncatto, sits on the "London Committee" of the Hongkong and Shanghai Bank.

But perhaps the most devastating example of continuity among the corrupted American families involves the descendants of old

John Jacob Astor. American citizen Waldorf Astor, his direct descendant, was chairman of the Council of the Royal Institute of International Affairs during the Second World War, while Harvard-trained American citizens of the Institute for Pacific Relations smoothed the transition to People's Republic of China opium production (see Part II, Section 7).

The old Boston families who made their fortunes on the narcotics traffic were the ones whom old Joseph Kennedy strove to imitate when he obtained his British liquor delivery contacts during Prohibition, and the same ones who staffed his son's Administration.

# Britain's "Noble Experiment"

In the years 1919 and 1920, two events of critical strategic importance for Britain's opium war against the United States occurred. First, the Royal Institute of International Affairs was founded.

The purpose of this institution had been set forth over 40 years before in the last will and testament of empire-builder Cecil Rhodes. Rhodes had called for the formation of a "secret society" that would oversee the reestablishment of a British empire that would incorporate most of the developing world and recapture the United States (see Part II, Section 7). Toward this objective, Rhodes's circle, including Rudyard Kipling, Lord Milner, and a group of Oxford College graduates known as "Milner's Kindergarten," constituted the Round Table at the turn of the 20th century. In 1919, the same grouping founded the Royal Institute of International Affairs as the central planning and recruitment agency for Britain's "one world empire."

On January 6 of the next year, Britain declared its opium war against the United States. Americans knew it as Prohibition.

Prohibition brought the narcotics traffic, the narcotics traffickers, and large-scale organized crime into the United States. Illegal alcohol and illegal narcotics made up two different product lines of the same multinational firm. The British, through their distilleries in Scotland and Canada, and the British, from their opium refineries in Shanghai and Hong Kong, were the suppliers. The British, through their banks in Canada and the Caribbean, were the financiers. Through their political conduits in the United States, the British created the set of political conditions under which the United States might be won back by means other than the failed Balkanization plan of the Civil War period.

Two tracks led to the drug epidemic in the United States, one in the Far East, and the other in the United States and Canada. Against the outcry of the League of Nations and virtually all the civilized world, the British stubbornly fought to maintain opium production in the Far East, expanding the illegal supply of heroin, just as the drug went out of legal circulation in America in 1924. In North America, Canada — which had had its own period of Prohibition — went "wet" one month before the United States went dry.

In interviews with the authors, Drug Enforcement Administration officials have emphasized the similarity of the alcohol and narcotics *modus operandi*. When the agents of Arnold Rothstein and Meyer Lansky made their first trips to the Far East in the 1920s, they purchased heroin from the British with full legality. What the American gangsters did with the drug was their own business; the British opium merchants were merely engaging in "free enterprise." When Britain's leading distilling companies sold bulk quantities of liquor to Arnold Rothstein and Joseph Kennedy — for delivery either to the Bahamas or to the three-mile territorial limit of the United States coastal waters — they had no responsibility for what happened to the liquor once it reached American shores. (The identical explanation was offered by an official of the British Bank of the Middle East, which now services the Far East drug traffic through a smug-

glers' market in gold bullion in Dubai, on the Persian Gulf. "We only sell the gold, old boy," the banker said. "What those fellows do with it once they get it is up to them.")

Which of the American syndicates obtained this month's franchise for drug or liquor distribution was immaterial to the British traffickers. The greater the extent of intergang bloodshed, the less obvious their role would be. In fact, the British distillers could provoke such events at will by withholding needed inventory of bootleg alcohol.

The "Noble Experiment" was aimed at degrading the American people through popular "violation of the law" and association with the crime syndicate controlled by the Our Crowd banks of Wall Street — the Zionist Lobby of its day (see Part III). New York's Our Crowd is an extension of the London Rothschild banking network and British Secret Intelligence into the United States. For example, Sir William Wiseman was the official head of British Secret Intelligence in the United States throughout the World War I period. He became a senior partner in the investment house of Kuhn Loeb immediately on demobilization. Wiseman was a personal protege of Canadian Round Table founder Lord Beaverbrook and one of the most prominent public figures in the Zionist movement. (1)

With this lower Manhattan-Canada-centered grouping acting as the political control, the Prohibition project was launched during the early 1910s under the shadow of the United States' entry into World War I. It should shock no one that the creation and rapid growth of an organized crime syndicate in the United States was the filthy business of the Our Crowd banks — employing the cults of Lord Palmerston and Disraeli that conducted the unsuccessful assault against the American republic during the Civil War.

It is a fraud of the highest order that Prohibition represented a mass social protest against the "evils" of alcohol. Like the environmentalist movement and other present day anti-progress cults, the Women's Christian Temperance Union (WCTU) and its Anti-Saloon League offshoots were a small, well-financed and highly organized circle that enjoyed the financial backing of the Astors, the Vanderbilts, the Warburgs, and the Rockefellers. (2)

Then as now, the funding conduits were principally the tax-exempt foundations — specifically the Russell Sage Foundation and the Rockefeller Foundation. John D. Rockefeller I was hoodwinked by Lord Beaverbrook colleague and former Canadian Prime Minister MacKenzie King into not only bankrolling the WCTU, but providing it with the services of the foundation's entire staff of private investigators. (3)

Who made up the Temperance Movement? It was run by Jane Addams, who studied the Fabian Society's London settlement house Toynbee Hall experiment and came to the United States to launch a parallel project which later produced the University of Chicago. (4) The "cadre" were drawn almost exclusively from three pools: 1) the settlement house and suffragette networks run by Addams and the Russell Sage Foundation; 2) the pro-terrorist synthetic religious cults operated out of Oberlin College in Ohio; and 3) the Ku Klux Klan in the South.

Oberlin College was founded by British "Christian missionaries" in the decades leading up to the Civil War. Like the ancient anti-Christian Manichean cult, Oberlin was organized around the principle that the material world was wholly evil; all students (i.e. initiates) were required to become vegetarians. From Oberlin's student body some of the most violent radical abolitionist terrorists were recruited, trained and deployed and safehoused during the Civil War. (5)

Like its predecessor radical abolitionist movement, the Temperance Movement was founded at Oberlin in the post-Civil War period as a violent cult (known at the time as "Organized Motherlove"). At the height of the Prohibition drive during the 1910s, bands of ax-wielding lesbians — the Susan Saxes and Bernadine Dohrns of their day — received banner headlines for their assaults against saloons throughout the Ohio Valley. Many of these women were drawn from the Manichean cult at Oberlin.

Once launched as a nationwide movement, WCTU founded a national headquarters in Evanston, 111. Nearby Wilmette, 111. (along with London and Tel Aviv) subsequently became the North American headquarters of the British Intelligence-organized Ba'hai terrorist cult. (6)

In the South, parallel "fundamentalist Christian" cultists had

been drawn together from the turn of the century under the direction of the Ku Klux Klan.

These three British cults agitated nationally for Prohibition. While the WCTU and Anti-Saloon League staged well-publicized and frequently violent raids against saloons, the more sophisticated Fabian Settlement House social workers of Jane Addams used the unique conjuncture of the recently passed Seventeenth Amendment certifying women's voting rights in national elections and the concentration of much of the adult male population on the war effort to vote up the Eighteenth Amendment making Prohibition the law of the land. The Amendment was fully ratified by 1917; however, the Volstead Act that defined the federal enforcement procedures was not scheduled for implementation until January 6, 1920.

The three-year lead time was critical for the establishment of a tightly organized crime syndicate, which was being organized out of Canada and Our Crowd banking circles in New York:

\* In Canada, a brief Prohibition period (1915-1919) was principally enacted by order of Her Majesty's Privy Council to create the financial reserves and bootlegging circuit for the U.S. Prohibition. In this period Canada's Hofjuden Bronfman family established the local mob contacts in the U.S. and consolidated contractual agreements with the Royal Liquor Commission in London.

\* Primarily out of Brooklyn, New York, teams of field agents of the Russell Sage Foundation conducted a reorganization and recruitment drive among local hoodlum networks — already loosely organized through Tammany Hall's New York City Democratic Party machine. "Legitimate" business fronts were established, replacing neighborhood nickel-and-dime loan sharking operations, and specially selected individuals — largely drawn from the Mazzini "Mafia" transplanted to the U.S. during the late 1800s Italian migrations — were sent out of Brooklyn into such major Midwest cities as Chicago, Detroit, and St. Louis in the 12 months leading up to the Volstead enforcement. One such Brooklyn recruit was Al Capone.

The British oligarchy did much more than supply the gutter elements of the crime syndicates with their stock in trade. To a

surprising extent, the Anglophile portion of America's upper crust joined the fun. The case of Joseph Kennedy, who owed his British contracts for liquor wholesaling to the Duke of Devonshire, and later married his daughter into the family, is notorious (see Part III). In some respects more revealing is the strange case of Robert Maynard Hutchins, the President of the University of Chicago from 1929 to 1950. Hutchins had American citizenship, but was so close to the British aristocracy that he became a Knight Commander of Her Majesty's Venerable Order of St. John of Jerusalem, swearing an oath of chivalric fealty to the head of the order, the British monarch.

Under the guise of "social studies research," several well-known University of Chicago postgraduate students received their apprenticeships in the service of the Capone gang:

\* In 1930, University of Chicago graduate student Saul Alinsky, the godfather of the "New Left," entered the Capone Mob in Chicago. Alinsky for several years was the accountant for the gang — at the height of the Prohibition profiteering. (7) Alinsky went on to be one of the most important British Fabian-modeled social engineers in the United States for the next 30 years, specializing in the creation of synthetic dionysian cults among the nation's youth and ghetto victims.

Alinsky, in fact, used the organizational model of the Capone Mob to build up a criminal youth gang infrastructure in Chicago during the early 1960s that assumed street-level control over drug trafficking and related criminal operations run 30 years earlier through the Capone gang. When the Our Crowd sponsors of Capone's initial deployment to Chicago determined at the close of Prohibition that a more "civilized" cutout was desired, Alinsky was the channel for bringing Frank Nitti into the Mob.

\* In the late 1940s, University of Chicago professor Milton Friedman was installed as President of the Gold Seal Liquor Company — the original Capone enterprise. Friedman soon also assumed the presidency of the Illinois Wholesale Liquor Dealers Association — a position from which he no doubt carried out his first experiments in "free market economics." (8)

\* As late as the 1960s, retired University of Chicago President Hutchins himself was under investigation for his involvement



with drug trafficking and other black market enterprises. Through the late 1960s his Center for the Study of Democratic Institutions was financed principally through Bernie Cornfeld's Investments Overseas Service (IOS) — an international pyramid swindle and drug money laundering enterprise (see Part III, Section 3). Furthermore, Hutchins was simultaneously the president of a little-known Nevada foundation called the Albert Parvin Foundation which several congressional committees investigating organized crime cited as a front for Las Vegas gambling receipts. (9)

## Mounting the drug invasion

The United States' fourteen-year experiment in Prohibition accomplished precisely what its British framers had intended. Ralph Salerno, an internationally recognized authority and historian on organized crime, a law enforcement consultant and former member of the New York City Police Department's intelligence division, succinctly summarized the effect of Britain's Prohibition gameplan in his book, *The Crime Confederation*:

The most crucial event in the history of the confederation (organized crime — ed.) was a legal assist called Prohibition. . . . Prohibition helped foster organized crime in several ways. It was the first source of real big money. Until that time, prostitution, gambling, extortion and other activities had not generated much capital even on their largest scale. But illegal liquor was a multibillion dollar industry. It furnished the money that the organization later used to expand into other illegal activities and to penetrate legitimate business. Prohibition also opened the way to corruption of politicians and policemen on a large scale. It began the syndicate connection with politics and it demoralized some law enforcement groups to the point where they have never really recovered. . . . The manufacture and distribution of illegal liquor here and

the importation of foreign-made liquor gave the men who were organizing crime experience in the administration and control of multibillion dollar world businesses with thousands of employees and long payrolls. Men who had never before managed anything bigger than a family farm or a local gang got on-the-job training that turned them into leaders developing executive qualities. . . . Mass evasion of the Volstead Act also put the average citizen in touch with criminals, resulting in tolerance and eventually admiration and even romantic approval of them. It permanently undermined respect for the law and for the people enforcing it. Ever since Prohibition the man in the street has accepted the idea that cops can be bought. (10)

The combined revenues of the illicit whiskey and drug trade during Prohibition had constituted a multibillion dollar black market booty. While families like the Kennedys and Bronfmans "made out like bandits" in the early 1930s transition to "legitimate" liquor trade, the overall financial structure for maintaining an organized crime infrastructure demanded diversification into other areas of black market activity only marginally developed previously. The market for illicit drugs in the United States — though significantly expanded as the result of the Prohibition experience — was not to become the foundation of a multibillion dollar traffic for several decades.

In the interim, the Our Crowd-British crime syndicate turned to casino gambling and associated enterprises as the immediate area for expansion. The Lansky syndicate took the opportunity of Nevada's 1933 passage of specific regulations legalizing casino operations to turn that no-man's-land into a desert resort to house all the West Coast criminal operations that had previously been run on pleasure boats 12 miles off the coast of Hollywood. Lansky also moved into the Caribbean, preparing the way for the British offshore complex of unregulated banking.

Through the investment of the phenomenal profits derived from the Prohibition into gambling casinos, professional sports stadiums and racetracks, organized crime established the

foundations during the 1930s and 1940s for the drug trafficking that would begin in the mid-1950s — once a cultural climate had been created that was conducive to fostering drug addiction.

## Nixon's war on drugs

It is not widely known that President Nixon was a casualty in the war against Britain's drug invasion of the United States. Had Nixon not taken up the most basic interests of the nation in launching a wholesale effort to shut down the drug trafficking — from the top down — it is likely that he would not have been unceremoniously forced out of office by Henry Kissinger, Ted Kennedy, and their British masters.

By 1970 Nixon became profoundly aware that the proliferation of drug abuse among the nation's youth had become a problem of such monumental significance that all his efforts to institute a long-range program of peace-through-development would be meaningless unless combined with a ruthless crackdown on the poison that threatened to wreck the nation's future leadership and its productive sector. Documents are available in the public domain from the Drug Enforcement Administration and other executive agencies showing that Nixon's "War on Drugs" was directed at the top — at the banking institutions, the transportation grids, and only then at the distribution channels delivering the volumes of drugs onto the streets of the country.

At the same time that Nixon generically understood the top-down nature of the problem, he and his assistants scarcely understood that by going after the drug infrastructure they were taking on the entire British oligarchy and the entire underpinnings of the Eurodollar market and the People's Republic of China. Had Nixon understood the drug problem as a London-Peking problem, he would have perhaps been better prepared to deal with the "inside-outside" attack against his Presidency.

In Part II of this report, we will reveal the inner workings of the London-Peking Drug Empire the Nixon Administration ran up against when it declared its War on Drugs.

# Notes

## 1. BRITAIN'S FIRST OPIUM WARS

1. As quoted in Jack Beeching, *The Chinese Opium Wars* (New York: Harvest Books, 1975), p. 258.
2. Adam Smith, *Wealth of Nations*, Representative Selections (New York: Bobbs-Merrill, 1961).
3. Richard Morris, *The Peacemakers: The Great Powers and American Independence* (New York: Harper & Row).
4. Beeching, *Chinese Opium Wars*, p. 43.
5. In addition to the Chinese Hong merchants who collaborated with the British opium houses and the run-of-the-mill pirates and river rats that the British recruited into their service as the "eyes and ears" in Canton and the interior, the Hakkas, a people living in the southern province of Kwangsi who were under the strong influence of the Heaven and Earth Society (Triads) were particularly important to the British operations. The Triads, devoted to the days of the Ming Dynasty — and who were very similar to the Freemason organizations in Europe and North America — wanted to overthrow the Manchu Dynasty. The Hakkas were used by both the British and their Triad allies as a grassroots bludgeon against the Emperor. The key figure in the joint Anglo-Triad venture was a religious fanatic named Hung Hsui-Ch'uan.

Hung, having suffered public "loss of face" on four occasions — he failed the examinations that would allow him to join the mandarin class and become a government official — suffered a nervous collapse. He was in a trance for 40 days in which he was supposedly born again and then, using a translation of the King James Bible, he created a new religion based on the notion of "The Chosen People." The Hakkas were to be the Chosen People, and the Triad identification of the Manchus as the enemy was fully incorporated into Hung's quasi-Protestant religion.

Hung served as the "prophet," and a Hakkas Triad member, Yang Hsin-Ch'ing, served as the recruiter and military commander of the movement. Yang was in the employ of the British as an opium runner on the Pearl River.

In 1851, Hung and Yang launched a full-scale assault against the Manchu Dynasty — called the Taiping Revolt, or "The Triad War" — which drained China's treasury, shook the government, and demoralized China's pathetic army. The Taiping-Triad forces also played a significant role in the 1911 overthrow of the Manchu Dynasty that led to the republic of China under its president Dr. Sun Yat-sen (also a member of the "Hung Society"), although the organization was outlawed as treasonous and terrorist in 1890.

For further reading on the Hung-Triad Societies see: Lady Queensborough, *Occult Theocracy*, Volumes I and II (France: The International League for Historical Research, 1931), pp. 441-42; Beeching, *Chinese Opium Wars*, pp. 180-205.

6. Beeching, *Chinese Opium Wars*, p. 80.

7. *Ibid.*, p. 98.

8. *Ibid.*, p. 127.

9. *Ibid.*, p. 95.

10. *Ibid.*, p. 272.

11. *Ibid.*, p. 272.

12. *Ibid.*, p. 264.

13. Karl Marx and Frederick Engels, *Civil War in the United States* (New York: International Publishing Co.).

14. Brian Ingles, *The Forbidden Game: A Social History of Drugs* (New York: Charles Scribner's, 1975), chapter 11.

15. *Ibid.*

16. *Ibid.*

17. *Ibid.*

18. *Ibid.*

19. *Ibid.*

## 2. PALMERSTON'S FIFTH COLUMN IN THE USA

1. Samuel Morse, "The Present Attempt to Dissolve the American Union: A British Aristocratic Plot" (New York: John F. Trow, 1862); Samuel Morse, "A Foreign Conspiracy against the Liberties of the United States" (New York: originally published by the New York Observer, 1835); see also the soon-to-be-published book, *The First American Intelligence Service* (New York: Campaigner Publications). Morse signed all his published articles under the name "Brutus."

2. C. Bernant, *The Cousinhood* (New York: Macmillan Company, 1972).

3. Benjamin Peixotto, ed., *The Menorah*, official organ of the B'nai B'rith, New York, 1 (Sept. 1886).

4. *Ibid.*

5. *Ibid.*

6. Official document recorded by Benn Pittman, *The Indianapolis Treason Trial, 1865; Official Report — A Western Conspiracy in the Aid of the Southern Rebellion* (Indianapolis: 1865); see also *An Authentic Exposition of the Knights of the Golden Circle or a History of Secession* (pamphlet), author unknown, believed to be Union counterespionage agent named Jim Pumfrey (Indianapolis: 1861); Mayo Fesler, "Secret Political Societies in the North during the Civil War," *Indiana Historical Magazine* 3 (Sept. 1918).

7. Burton Hendrick, *Statesman of the Lost Cause, Jefferson Davis and His Cabinet* (New York: Literary Guild of America, 1939), pp. 153-181; Max Kohler, *Judah Benjamin: Statesman and Jurist* (Baltimore, 1905).

8. Israel Joseph Benjamin, "Three Years in America, 1859-62" (New York: 1863), Vol. I; contains a profile of B'nai B'rith and 44 Jewish organizations.
9. Albert Pike, Lectures of Arya and Indo-Aryan Deities and Worship, published by the Ancient and Accepted Scottish Rite of Freemasonry of the Southern Jurisdiction of the U.S.A. on orders of the Grand Command of the Supreme Council 33°; see also Queensborough, Theocracy.
10. Queensborough, Theocracy.
11. Ibid.
12. Ibid.; see also Merle Curti, "Young America," American Historical Review, 1929.
13. Menorah, Sept. 1886; see also Queensborough, Theocracy.
14. Queensborough, Theocracy.
15. John A. Bingham, Special Judge Advocate, "Trial of the Conspirators for the Assassination of President Lincoln Delivered June 2-28, 1865, before the Military Commission of the Court Martial of the Lincoln Conspirators," War Department Records, Section Monograph 2257, Official Transcript.
16. Clayton Gray, Conspiracy in Canada (L'Atelier Press, 1957); David Balsiger and Charles Sellin, The Lincoln Conspiracy (Albuquerque: Sun Publishing Co., 1977).
17. Gray, Conspiracy in Canada.
18. Ibid.; see also Susan Davis, Authentic History of the Ku Klux Klan, 1865-1877, 1924.
19. Gray, Conspiracy in Canada.
20. A. R. Turner-Tyrnauer, Lincoln and the Emperors (New York: Harcourt, Brace and World, Inc., 1962).
21. Queensborough, Theocracy.
22. Menorah, Sept., 1886.
23. The Green Shirts emerged from the networks that the Order of Zion had put in place in Romania and consolidated with the coup to install King Charles in 1887; see also Paul Goldstein, "The Rothschild Roots of the KKK," Executive Intelligence Review 39: 50.
24. The political error the Okhrana made in its use of the Protocols was to generalize the notion of a Zionist conspiracy to include all of Jewry. The Protocols were then used by British intelligence operatives within the Okhrana to unleash pogroms against Russian Jews in conjunction with and following the "1905 Revolution" destabilization of the Witte government.
25. The Protocols have been published most recently in Herman Bernstein, The Truth About the Protocols of Zion (New York: Ktav Publishers, 1971).
26. Sources in Mexico made this oath available to the authors and have confirmed that it is authentic. It should be noted, however, that the Knights of Columbus in the United States is a very different organization from this Mexican branch, and the two should not be confused.
27. Canadian Jewish Congress report, 1967-68 (see Part III, Section 1).

28. Edyth Hinkley, *Mazzini: The Story of a Great Italian* (Port Washington, N.Y.: Kennikat Press, 1924).
29. Charles William Heckethorn, *The Secret Societies of All Ages and Countries*, Vol. I and II, 1875 (New York: University Books, Inc., 1965); see also David Leon Chandler, *Brothers in Blood* (New York: E.P. Dutton Co., Inc., 1975), p. 31.
30. Chandler, *Brothers in Blood*, p. 103.
31. *Ibid.*, p. 75.
32. *Ibid.*
33. *Ibid.*, p. 79.
34. *Ibid.*, pp. 95, 97.
35. *Ibid.*, p. 97.
36. *Ibid.*, p. 98.
37. Beeching, *Chinese Opium Wars*, p. 178.
38. *Ibid.*
39. Kenneth Wiggins Porter, *John Jacob Astor, Business Man* (New York: Russell and Russell, 1966).
40. Beeching, *Chinese Opium Wars*.
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42. Miriam Beard, *History of Business*, Vol. II (Ann Arbor: University of Michigan Press, 1963), p. 162ff.; see also Joseph Wechsberg, *The Merchant Bankers* (Boston: Little, Brown, and Company, 1966), 104 ff.
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44. Beeching, *Chinese Opium Wars*.
45. Brett Howard, *Boston: A Social History* (New York: Hawthorn Books, Inc., 1976).
46. *Ibid.*
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### 3. BRITAIN'S NOBLE EXPERIMENT

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2. John Kobler, *Ardent Spirits* (New York: G. P. Putnam's Sons, 1973).
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4. Jeffrey Steinberg, "Robert M. Hutchins: Shaper of an American oligarchy," *The Campaigner*, Vol. II, 3-4:73-77.
5. Queensborough, *Occult Theocracy*.
6. Bruce Wood, "Cult and Terrorist Activities in the Detroit, Michigan Area Since the 1960s," an unpublished manuscript, September, 1976.
7. Saul Alinsky, *Reveille for Radicals* (New York: Random House, 1969).
8. John Kobler, *Capone: The Legacy* (New York: G. P. Putnam's Sons, 1972).
9. Hank Messick, *Lansky* (New York: Berkley Medallion Books, 1971), p. 152.
10. Ralph Salerno and John S. Tompkins, *The Crime Confederation* (New York: Doubleday and Company, Inc., 1969). pp. 275, 278-79.

# PART II

## How the Drug Empire Works



# Introduction

## The basis of this investigation

In the following pages we will take the reader from the opium-growing mountains of the Far East's Golden Triangle, to the offices of opium wholesalers in the expatriate Chinese districts of Bangkok, Rangoon, and Singapore; we will take him through the bonded warehouses, shipping lines and air freight companies of old-line British trading companies who control the Chinese expatriate wholesalers; we will lead him through the maze of financial channels that fund the Far East's opium trade, to the august portals of Hongkong and Shanghai Banking Corporation and other top British banks who control the financing topdown; we will take him across the Pacific to the ports of entry for heroin into the United States, to the skyscraper offices of the Canadian banks and corporations who finance, ship, and protect the heroin en route to the United States; and, finally, we will guide the reader down the family trees of the Canada-based Zionist financiers, to their contact-points in the world of organized crime and heroin distribution. When this is done, we will have reconstructed the Annual Report of Dope, Incorporated, including balance sheet,

board of directors, senior operating officers, table of organization, and subsidiaries.

At the conclusion, the reader will know and understand more about the personnel and operations of illegal drugs — the world's biggest business since the days of opium-pusher Adam Smith — than the law enforcement authorities of the United States and other countries knew until recently. In the files of these agencies, in the minds of solitary investigators, and, to a surprising extent, in the public record itself, the pieces of the puzzle have existed for years. Fitting them together into a single picture is the task of this investigation. But the puzzle is not a jigsaw game, in which the picture is assembled by fitting the pieces together side-by-side. As a first approximation, it would be better for the reader to imagine a set of clear plastic overlays, each of which contains part of the picture; laid one on top of the other, they complete the puzzle.

The different overlays of this puzzle are these:

- 1) The detailed record assembled by American and other investigators of the mechanics of the opium trade from the Golden Triangle down to opium's ports of departure to the rest of the world;

- 2) Pinpointed identification of opium wholesalers, largely in the Chinese expatriate community, including the names of leading bankers;

- 3) A comprehensive profile of British finance in the Far East, revolving around the Hong Kong financial center and its leading bank, the Hongkong and Shanghai, including the web of British ties to the Chinese expatriate banking community throughout the area;

- 4) An exhaustive grid of the British control over means of laundering dirty money in the hundreds of billions of dollars, including "offshore" banking, gold, and diamonds;

- 5) A grid of the huge quantity of public record material showing the integration of British Far East and dirty money financial operations worldwide with the top level of British foreign policy-making, centered in the Royal Institute of International Affairs;

- 6) The similar public record of evidence of strategic agreement between Great Britain and the Maoist People's Republic of

China, going back to negotiations between British opium-runners and Mao Tse-tung, under the auspices of the Royal Institute of International Affairs;

7) Twenty years of official documentation — from American, Japanese, Taiwanese, and Soviet sources — that the People's Republic of China grows and exports opium not only to earn foreign exchange, but to fund secret intelligence operations, through Chinese expatriates;

8) A comprehensive grid of the intimate links between all these elements — British old-line opium-runners, British dirty money operations, Chinese expatriate overseas operations, British-Chinese policy agreement — with the "Canadian" connection to American organized crime;

9) The international web of the British-centered "Zionist lobby," and its special function in gold and diamond-related dirty money operations, laundering of dirty money, financing of international terrorism, and financial control of the Canada-U.S. drug channels;

10) Lastly, a gridding that demonstrates that the leading controllers of the opium war against the United States are not only connected by interlocking directorates and other business ties but by ties of "blood" that constitute this web under one family.

The resulting picture is comprehensive: the entire mass of detailed, documented evidence fits together into a single picture, stretching from the present day back through the British origins of the opium trade in the time of Adam Smith.

The Hongkong and Shanghai Bank and related companies finance the opium trade. In this, they are acting as designated agents of the British monarchy, through the Royal Institute of International Affairs. Not only do they control the expatriate Chinese legmen of the opium trade, but they do so as part of an agreement negotiated between Mao Tse-tung and the Royal Institute of International Affairs, by the Hongkong and Shanghai's leading representatives!

The gold and diamonds side of the dirty money laundering operations, under the immediate control of Britain's Zionist Hofjuden (Court Jews), is part of the same machine. Through the highest circles of British policy, all the important branches of the

drug machine — the Chinese connection, the old-line British opium traders, the dirty "offshore" banking sector, and the Zionist Hofjuden — run Canada from the top.

From there the trail leads directly into the American crime syndicate, through the Hofjuden Bronfman family.

The world illegal drug traffic is not only the world's biggest swindle and subversive agency: it is controlled by a single group of evil men whose names and organizational affiliations are all printed below, and whose intimate ties of ownership, family, and political collaboration go back 200 years. We know their names and addresses, and know how to mop them up.

# 1

## Banking and the World's Biggest Business

Assembled as one picture, the hard evidence available from the Drug Enforcement Administration and other law enforcement bodies leaves only one possible conclusion: The drug "industry" is run as a single integrated world operation, from the opium poppy to the nickel bag of heroin sold on an inner-city street corner. Not only is illegal drug traffic under the control of a single world network, but opiates traffic in particular is without doubt the best-controlled production and distribution system of any commodity in international trade, illegal or legal. De Beers' Central Selling Organization's 85 percent control of world diamond wholesaling — an example not irrelevant to the drug trade — pales by comparison to the orderly marketing arrangements for heroin demonstrated by the hardest figures available.

Investigators are daunted by the fact that the solution to the problem is so damned obvious. Imagine Edgar Allan Poe's fictional purloined letter, photographically enlarged to 8 by 20 feet, and used as wallpaper; then, imagine the French police attempting to find it with magnifying glasses.

When we speak of the drug-related illegal economy — for drugs

are the pivot on which most other illegal activity turns — we are talking of a \$200 billion per year business, the biggest business in the world. That is net, not gross, annual sales of drugs, plus related illicit payments.

How can such activity avoid sticking out wildly, especially in areas of concentration such as the Far East? Because the British monarchy organized most of the Far East to conform to the drug traffic! How can \$200 billion in illegal payments get through the international banking system past the eyes of law enforcement authorities? The answer is: the Anglo-Dutch "offshore" banking system. This and related precious metals and gems trade were designed around illegal money in the first place!

Mere consideration of the obvious — or what will quickly become obvious when the evidence of the public record is assembled below — gives the financial specialist the equivalent of an inner-ear disorder. The financial world, remember, is one in which the stock market will do flips over a measly few hundred million dollars' difference in the weekly reported figures for the American money supply. Although most of the necessary evidence has long been available, both investigators and the public prefer to see world drug traffic and related illegal activity as a montage of movie villains: Far Eastern warlords, free-lance smugglers, jowly gangsters, and corrupt politicians. Such individuals figure into the world drug traffic, but as the arms and legs of a top-down operation, under the immediate control of the British and allied monarchies.

The most striking single fact for this conclusion is that the price series for heroin at retail level in major American cities show virtually total uniformity. Law enforcement records show that, within the acceptable range of 3 to 6 percent purity at the street level, the price of heroin has been constant between widely disparate distribution points during the past ten years. Arrests of local distribution chains, internecine warfare among drug-traffickers, interdiction of smuggling routes, the virtual elimination of the Turkish opium supply after 1972, the scouring of Asian and European transit points, and local changes in political and growing conditions in the Golden Triangle growing area, all have failed to have any effect on the single world heroin price! The few

exceptions prove the rule, and consist mainly of sharp temporary drops in some local retail prices, attributed to occasional free-lance supply through returning Vietnam War veterans and the like. (1)

## Where does it go?

Closely related to the striking uniformity of inner-city heroin prices at retail level in the United States is the gigantic discrepancy between known levels of opium production for illegal purposes and consumption by the world's addict population. Fairly reliable statistical data are available for both. Within great margins of fluctuation depending on weather, enforcement, and other conditions, available supply exceeds demand by roughly a factor often.

Approximately 700 tons annually are produced and transported out of the world's largest opium-growing area, the Golden Triangle. (2) Seven hundred tons of raw opium, in the form of balls of opium gum, are the equivalent of about 70 tons of refined heroin. In practice less than half this amount is refined into heroin; the remainder is sold in the form of either opium or morphine base, largely for smoking purposes, and largely to an addict population in the orient itself. However, by all estimates of the American addict population, approximately three tons per year of refined heroin are more than sufficient to meet annual consumption "requirements." About that much again is required to maintain all other heroin addicts in the noncommunist advanced sector.

DEA and other official sources affirm the cited production figures through direct monitoring of opium shipments and other sophisticated intelligence methods. Consumption and sales are obviously limited by the possible size and financial resources of the addict population in the advanced sector. To use a rough example: If the full 30,000 kilograms of annual Golden Triangle heroin production obtained the full street price for heroin, the total retail value would be about \$150 billion. But most estimates of annual illegal purchases of retail heroin are under \$15 billion.

In short, most of it is never sold, because production capacity is enormous relative to the market's absorption capacity.

What happens to the rest of the heroin? Only a small portion of the total comes into the hands of law enforcement agencies, whose capture of a few pounds of heroin is a matter for celebration. We still must account for tens of tons. The law enforcement records indicate that the drug is warehoused in huge stockpiles against contingencies and to prevent oversupply on the market. For example, during the height of the crackdown on Southeast Asia heroin traffic in 1972 (immediately after U.S. troops withdrew), a single refinery captured by Thai police had on hand a stockpile of 3,000 kilograms, roughly one-tenth of Southeast Asian production. At the time, 21 refineries were known to be operational in the area. (3).

## MARKET ANALYSIS

The law enforcement record shows that Dope, Incorporated does its best to avoid mishaps through careful research — on the streets of American cities — which is transmitted back to the poppy fields. Meo tribesmen in the Burmese or Yunnan Province mountains foothills do not plant what they feel like, but what they are told to plant. This facet of the production cycle is well known to law enforcement investigators. If for some reason the market research is off, chaos will ensue, as it did in 1972, when the Golden Triangle yielded a bumper harvest, after wholesalers told poppy-growing peasants to increase their acreage by 50 to 100 percent. The wholesalers counted on the continuing exponential expansion of heroin consumption among American soldiers in Vietnam. Nixon pulled the rug out from under them by pulling the troops out, leaving the world heroin market in an unprecedented state of oversupply.

Reckless price-cutting and competition for sales outlets in this case might have provoked serious consequences for Dope, Incorporated were it not for "government regulatory intervention." The Thai government stepped in and sold 22 tons of opium to the United States. The opium was burned in a public ceremony attended by giggling Thai officials, thus restoring "equilibrium" to the market. (In any case, the Thais were only repeating the



action of the Imperial Chinese in 1839, who purchased and burned more than 3,000 tons of opium to the great relief of oversupplied British traders, who sent special fleets to India to bring additional opium back to get the Imperial Government's attractive price.)

Once world illegal opiates traffic comes under scrutiny as an integrated, centralized "monopoly," the discrepancy between the huge oversupply and relatively restricted demand presents no further difficulties. We are looking at an "industry" based on the same principles as the world diamond cartel controlled by De Beers, or the so-called "club" among leading pharmaceutical manufacturers. Diamond production capacity is so large relative to the absorption capacity of the world market that De Beers' Central Selling Organization, running 85 percent of world diamond wholesale trade, limits availability in order to obtain essentially the price it wants. Pharmaceuticals are, ironically, an even better example. Since the knowledge to manufacture most of the commonly used prescription drugs is widespread among the pharmaceuticals companies, and since the costs of production are insignificant compared to the retail prices of most drugs, elaborate legal arrangements are necessary to prevent a price collapse. Notoriously, the profits of the pharmaceuticals industry owe not to chemists but to patent lawyers.

## How big an industry?

Heroin trade is the ideal commodity cartel; its price is more reliably controlled than that of crude oil, and its world volume of sales, at roughly \$25 billion for heroin alone and considerably more for smoking-opium and other derivatives, is substantially higher than that of most of the commodities UNCTAD is presently considering for cartelization. A couple of comparisons are in order. At the recent world gold price of \$225 per troy ounce, annual world gold mining production (outside the Soviet Union) yields less than \$7 billion. During 1977, after an unprecedented price run-up, world diamond output was under \$5 billion.

Allowing for the relative ease with which a large dollar value of

heroin may be transported — the drug is worth at street level 366 times its weight in gold (4) — the worth of the drug trade is still boggling. It is even more boggling when the retail value in the United States and other OECD countries of nonopiate illegal drugs comes into the picture. For example, the Colombia marijuana crop officially estimated for this year alone carries a retail value of \$40 billion. (5) Since marijuana smoking is so widespread in the OECD countries, there probably exists a much larger market in dollar terms than the relatively restricted market among heroin addicts.

Beyond such examples, no accurate data exist. The best that can be stated is that the total world cash flow of illegal drug traffic certainly exceeds \$100 billion, and almost certainly does not exceed \$200 billion.

The \$100 to \$200 billion figure includes heroin, opium, morphine, marijuana, cocaine, so-called hallucinogens, and abuse of otherwise-legal prescription drugs. It does not include the proceeds of other drug-related illegal activities, including gambling, theft, prostitution, smuggling, arms traffic, and so forth. It is almost meaningless to assign a total figure to the size of the world's illegal economy. It can only be stated confidently that the illegal economy, whose cornerstone is illegal drug traffic, exceeds the gross national product of most of the OECD countries! That is an extremely conservative projection of the hard data available.

To put the matter another way: all international traffic in controlled substances, including drugs, and also including means of barter for drugs — gold, diamonds, armaments, and so forth — the \$200 billion international narcotics trade is bigger than the world oil trade. "DOPEC" is bigger than OPEC. World trade volume is a mere trillion dollars.

## Where does the money go?

The question that emerges now is, "How is it possible that \$200 billion and up in dirty money, crisscrossing international borders, can remain outside the control of the law?" Again, only one possible answer can be admitted: a huge chunk of international

banking and related financial operations have been created solely to manage dirty money. More than that, this chunk of international banking enjoys the sovereign protection of more than a few governments.

These conclusions are obvious. If the entire resources of the largest private bank in the world, roughly \$70 billion, had no other use but the financing of illegal world drug traffic and related illegal activity, those resources would be insufficient. If the members of the New York Clearinghouse, the richest group of commercial banks in the world, applied their entire \$150 billion lending volume to the illegal economy, the volume might just be sufficient.

In the following sections of this report, the Anglo-Dutch banking operations that control illegal drug and related trade are documented in detail. Below, we will demonstrate through several chains of evidence that this is the only possible banking network that could handle the requisite volume of illegal traffic. The Anglo-Dutch oligarchy's banking operations have the following qualifications :

- 1) They have run the drug trade for a century and a half.
- 2) They dominate those banking centers closed off to law enforcement agencies.
- 3) Almost all such "offshore,"unregulated banking centers are under the direct political control of the British and Dutch monarchies and their allies.
- 4) They dominate all banking at the heart of the narcotics traffic; the Hongkong and Shanghai Bank, created in 1864 to finance the drug trade, is exemplary.
- 5) They control world trade in gold and diamonds, a necessary aspect of "hard commodity" exchange for drugs.
- 6) They subsume — as documented below — the full array of connections to organized crime, the prodrug legislative lobby in the USA, and all other required elements of distribution, protection, and legal support.

## THE OFFSHORE COVERUP

Financial specialists, who have lived too long with the smell of the West Indies backwaters to mind it any longer, will choke on

the above assertion. The general reader, by contrast, only needs to know a few facts in order to realize that something is wrong. All the offshore international banking operations — including the clean side — are such a speculative whirlpool that virtually the entire deposit base changes hands every week. Hundreds of billions of dollars, including at least a hundred billion in the offshore centers and further hundreds of billions elsewhere, circle the world through teletyped bank transfers.

No banking reserves are kept on any of this, as insurance against sudden withdrawals; in the United States, by contrast, commercial banks must hold 15 percent of their checking account balances and 4 percent of their savings balances on reserve. The "offshore" banks just assume that if they are short of cash, they can borrow what they need on the enormous "interbank" market. This mind-boggling financial procedure involves banks lending funds to each other in order to obtain fractional advantages in interest rates. Perhaps 40 percent of the total market is interbank money. Deposit maturities are so short, and money transfers are so rapid, that \$50 billion changes hands every business day through the New York banks' Clearinghouse system alone.

The "offshore" banking markets are precisely what the name implies: either Britain's old island colonies refurbished for international banking, or inland feudal relics like Andorra and Liechtenstein. Federal bank regulators will only stare at their shoes when asked what goes on in these places.

In the Cayman Islands, one of the largest offshore centers, the only government is the official "Tax Haven Commission." Law enforcement officers have absolutely no way of getting hold of bank records in such places. Repeatedly, they have identified the offshore centers as the place to look for dirty money. They have not been able to, because virtually all the centers are under British political protection (see below).

American banks do a land-office business in the offshore centers, precisely because no reserves are needed, and every dollar of deposits can be lent out for interest. Currently American banks have over \$35 billion in loans booked through Caribbean offshore islands, more than through their offices in London.

Even clean banking operations have moved offshore because present federal banking regulations virtually force them to. The

big movement offshore began under the Kennedy Administration, when Anglophile Treasury officials C. Douglas Dillon and Robert V. Roosa railroaded legislation through Congress that taxed loans made to foreigners by American banks. The tax did not apply to loans made offshore, so that is where the bankers went. By the time the Dillon-Roosa legislation was lifted in 1974, the banks were "hooked" through the difference in reserve requirements. In a recent interview in Euromoney magazine, Citibank's chairman Walter Wriston denounced the Dillon-Roosa taxes as a "pure gift to London." (6)

According to the estimates of the Bank of International Settlements, the total assets of so-called Group of Ten offshore banking centers, the unregulated islands and enclaves where "bank inspector" is a dirty word, amount to \$94.349 billion, or close to \$100 billion, as of February 1977. The figures break down as follows:

**Deposits of Group of 10 Banks in Offshore Centers**  
(in millions)

Andorra	\$ 3
Liechtenstein	466
Monaco	48
Bahamas	35,700
Barbados	70
Bermuda	900
Caymans	12,200
Netherlands Antilles	1,600
Panama	7,200
Trinidad and Tobago	154
Kuwait, Qatar, UAE	3,300
Bahrein, Iran, Iraq,	
Libya, Oman	9,300
New Hebrides	139
Singapore	10,000
Hong Kong	8,300
Lebanon	392
Liberia	4,577

**Total** **\$94,349**

Source: Bank for International Settlements

The above figures do not show the actual size of the offshore banking centers, because they include only the assets of branches domiciled in the largest ten industrial countries. They do not include such entities as the three large banks in Thailand's capital, Bangkok, which figure prominently in financing Golden Triangle opium production. Nor do they include thousands of smaller, "off-shore" finance companies based only in the offshore centers themselves. Expatriate Chinese banks in the Far East, which have long been known to be a key point of contact with illegal drugs and other contraband traffic in the Far East, also do not show up on these tables; there is no available data on these institutions at all. Furthermore, the above table does include a great deal of legitimate banking business which American and other industrial-country banks bring to the "offshore" market for tax and other reasons. However, the round figure of \$100 billion is a useful starting point.

Another set of figures is provided in the Bank of England's quarterly report, although it contains the same unwanted additions and deletions, and is thus relevant; it shows the large vol-

Deposits In or Loans From Britain By  
Overseas Banks (in millions)

	Deposits	Loans
Bahamas	\$3,000	\$6,200
Bermuda	262	17
Caymans	1,380	1,408
Hong Kong	1,333	1,910
Lebanon	867	16
Liberia	—	1
Netherlands		
Territories	151	83
New Hebrides	13	7
Panama	118	583
Singapore	833	3,173
Barbados	—	—
Trinidad and Tobago	179	23
Total	\$8,134	\$13,399

Source: Bank of England as published by Bank for International Settlements.

ume of interchange between London, which in major respects functions as the world's biggest "offshore" center, with the previously mentioned outposts for illegal money. Unfortunately the available figures mix in both British banks' dealings and those of American and other banks which have offices in London.

### OWNED AND OPERATED BY LONDON

More important than these numbers — which give a meager understanding of the volume of business in the offshore centers and mix in the legitimate business of American and other institutions — is the political control of the unregulated banking centers. With very few exceptions, offshore banking as a whole is under the thumb of the Anglo-Dutch oligarchy.

The British pre-eminence makes the world picture of offshore banking and dirty money more comprehensible. If the world offshore banking sector appears to run as a single operation under British monarchy control, that is because the same group of people who run it also run the opium traffic whose proceeds this banking sector was created to handle.

One index of British muscle is the following breakdown of the offshore banking centers, comparing the number of banks in each center directly attached to the Royal Institute of International Affairs governing bodies with the number of other banks in each center:

Offshore Center	RIIA-linked Banks	Others
Bahamas	23	21
Bermuda	5	0
Antigua	5	0
Barbados	6	3
Cayman Islands	22	12
Trinidad and Tobago	6	3
Netherlands Antilles	10	5
Panama*	9	20
Singapore**	14	20

\*The only one of the above not under British government control.

\*\*Does not count overseas Chinese banks and other expatriates. (Source: Polk's Banking Directory.) See also Directory to RIIA Chart (Section 7).

London and Switzerland are not normally considered offshore banking centers, although in practice both centers function that way. Although Switzerland has signed a treaty with the United States permitting law enforcement officers to investigate and seize funds relating to illegal narcotics traffic (resulting in one recent \$250 million seizure), Swiss banks are still notorious depots for dirty money. However, the Swiss side of the operation, typified by Lombard Odier and Edmond de Rothschild's Banque Privee in Geneva, and the Zionist-controlled Baseler Handelsbank is more specialized. Their most important activity is conduiting funds for international terrorism. Most recently, European authorities traced the funding of the 1978 Aldo Moro assassination through Swiss channels back to Israel.

London is the largest center for Eurodollar banking under the encouragement of the Bank of England, which permits the foreign branches of U.S. and other banks to hold external accounts in London without reserve requirements, and with minimal inspection. At last count, international banks had \$90 billion in assets in London. The Bank of England can do as much or as little as it wants in the way of regulation, under British law.

For self-evident reasons, even the best-protected institutions of the British oligarchy prefer to launder their dirty money through Caribbean, Hong Kong, and similar branch operations, rather than in London itself.

Because the British suppliers of narcotics have ironclad control over offshore bank operations, American organized crime marketers of those narcotics have had a field day in the Cayman Islands and the Bahamas. American drug enforcement authorities know that most of the dirty money arising from the U.S. drug trade and related illegal activities ends up in the Bahamas. There has been, unfortunately, little public heat against the British officials who control the operations.

This level of control reaches the flagrant. For example, the chief of all banking regulation and licensing in the Cayman Islands, a close third behind Hong Kong and Macao in the big league of dirty money, is one Mr. Benbow. Mr. Benbow is a retired official of Britain's National Westminster Bank, which shares two directors, J.A.F. Binny and R.J. Dent, with the



Hongkong and Shanghai Bank. Benbow got his present job at the recommendation of the British-influenced International Monetary Fund, according to a source at the IMF's Exchange and Stabilization division. Direct British "hands-on" management of the Caribbean offshore operation dates back to the 1940s, when E.D. Sassoon, Ltd. of Hong Kong — which had made its fortune from the opium trade over the preceding century — picked up, moved, and became E.D. Sassoon, Ltd. of the Bahamas.

Virtually the only one of the offshore centers not under official British control is Panama; not coincidentally, Panama is the only offshore center where American banks strongly outnumber British banks. That is not to say that Panama is clean; on the contrary, most of the funds derived from the Colombian trade in marijuana and cocaine are laundered through Panama, through the three large Colombian banks resident there. However, American banks have a measure of maneuvering room that they do not have in the Cayman Islands or the Bahamas, under the snooping eyes of the British authorities.

West German banking sources believe that the British banks behind Drugs, Incorporated want to move in on Panama and close the gap. The West German sources identify a special feature of the drug-ridden Hongkong and Shanghai Bank's proposed takeover of a controlling share in New York's \$20 billion Marine Midland Bank: Marine Midland is the transactions agent for the central bank of Panama. All of the national accounts clear through Marine Midland. Should the Hongkong and Shanghai succeed in acquiring the American bank, it would exercise a decisive margin of control over the Panama offshore market, and bring British control over the offshore centers full circle.

Longstanding ties between Marine Midland and Panama were reflected in the fact that a former board member of Marine Midland Bank, Coudert Brothers lawyer Sol Linowitz, negotiated the Carter Administration's recent treaty concerning the Panama Canal.

### FAR EAST CHOKEPOINT

The next sections will concentrate on the Far East offshore banking connection to the drug traffic as a model for the world

operation, and follow the trail back to the controlling centers in London. British control over the world dirty money operation is no secret, and the British-Canadian-Caribbean connection to organized crime in the United States is so thoroughly documented that no doubt need remain.

However, it is the Far East that acts as a chokepoint for dirty money, in such volume that it dwarfs legitimate economic activity in the region, and in the British Crown Colony of Hong Kong in particular.

London has seduced and jostled American banking operations into the Caribbean to such an extent that there is a vast amount of legitimate money mixed in with the proceeds of the drug traffic. However, Hong Kong was set up by the British, literally from bare rock, as a center for the drug trade, and remains to this day purely British, and purely a center for the drug trade. In the Far Eastern example we can "prove" that Britain (and its Peking allies) run every phase of international drug traffic.

## The laundering cycle

The Drug Enforcement Administration and other law enforcement organizations know how the cycle of dirty money in the United States works. The \$50 billion retail proceeds of the total drug traffic in the United States are partly recycled into the drug operation in the United States itself, with large "offtake" by each level of the crime machine. The net profits, in cash, are laundered through hotels, restaurants, gambling casinos, and sports events — the "corporate profile" of the Max Jacobs family and other footsoldiers of the British drug machine.

After the cash is laundered through these nominally legitimate channels, it is transferred to offshore banking operations or their equivalent. Then, according to Drug Enforcement Administration officials, the funds take several trips around the world over the telex machines of offshore banks, passing through at least a half-dozen, and usually more, different bank accounts and corporate fronts, from the Caymans to Liechtenstein, from Liechtenstein to

the Bahamas, from the Bahamas to a "nonresident corporation" in Canada, from Canada to Panama, and so forth.

At various points in the process, the funds will purchase diamonds, gold, paintings, or similar portable valuables. At a further point, the valuables will be translated back into cash, eliminating even the trace of a bank transfer. For this reason, the use of undercover agents, in place even at fairly high levels in known branches of narcotics trafficking, has a poor record of detecting either the source or ultimate destination of narcotics-related funds.

Once laundered, the proceeds of the drug traffic and related illegal activities divide into three channels. First, between 10 and 20 percent of the total is recycled back to the opium wholesalers in the Far East and the marijuana wholesalers in the Caribbean and Latin America, constituting the net profits of the wholesale drug trade. A second part is invested in expansion of offshore operations, particularly gambling casinos, resorts, and other profitable operations that are also useful for further laundering of dirty money. The remainder is reinvested in the United States in "legitimate" racing, gambling, hotels, restaurants, and other business appropriate for cash-laundering and further expansion of the domestic drug traffic.

As noted, Hong Kong and related Far East operations are the chokepoint in the entire traffic, where dirty money is a way of life. We will focus on the Far East, the point of origin of world heroin traffic, and work backwards through the maze of Dope, Incorporated fronts and subsidiaries, to arrive at the British-controlled syndicates in the United States.

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# From Opium to Dirty Money

The starting point for the drug cash flow is the cash size of the opium and heroin traffic in the Far East itself, before the drugs obtain the stupendous price markups available in Western markets. The price pyramid is known to be the following:

1. Raw opium, the gum of syrup extracted from opium poppies, is produced in the Golden Triangle, the conjunction of the southern border of the People's Republic of China (Yunnan province), and the northern borders of Thailand, Burma, and Laos. The mountainous terrain, largely above 4,000 feet in elevation, provides ideal growing conditions. Mountain peoples, rather than ethnic Chinese (including those in Yunnan province), grow the opium and collect the gum. The merchant purchasing the gum pays roughly \$100 a pound, (1) at collection points such as Lashio or Misai in Burma.

2. By the time the merchant, typically a Yunnanese, has brought the gum by mule train to the triborder area, e.g. Tachilek or Chiengrai in Thailand, the price has doubled, to \$200

a pound. (2) At this point the opium is either refined into heroin at refineries located in the triborder area itself, or earmarked for the large Far Eastern market for smoking opium and related derivatives.

Existing data permit the estimate that a division of an average 700-ton crop into 300 tons for heroin refining and 400 tons for opium shipment for Far Eastern smoking purposes is usual. (3)

The \$200 pound price at the triborder area is the price paid to the local agent by a wholesaler based either in Bangkok, Rangoon, or Hong Kong. Any distinction among these cities is meaningless. The business structure of the area is under the control of two principal groups that straddle the Far East. The first is the old British banks and trading companies, including the HongShang, Jardine Matheson, Charterhouse Japhet, Swire's, and the Peninsular & Orient Lines. The second, their satellites, is the overseas Chinese networks, under the joint control of London and Peking.

The wholesale value of the 700 tons of annual opium product in the Golden Triangle, prepaid in the triborder area, is roughly \$280 million. The \$280 million figure, compared with the Gross National Product of Thailand, is considerable; it is like \$35 billion in terms of the American GNP.

3. But this wholesale figure is only a small portion of the cash flow of the Far East drug traffic. The next wholesaler, the Bangkok merchant who buys from the first wholesaler, pays about \$1 billion for the equivalent of 700 tons of opium in the form of either raw opium or refined heroin. This is roughly four times what the opium was worth at the first wholesale round. The majority of production is retailed locally at large markups (although the markups are much smaller than in the case of heroin retailed in Western countries).

While no hard estimates are possible, the cash flow in the Far East related to this first phase of opium production alone could not be less than \$1 billion. That by itself is 15 percent of the estimated assets of foreign banks in Hong Kong, or 10 percent of estimated bank assets of foreign banks in Singapore, or precisely Thailand's 1977 balance of trade deficit!

Measured against the size of economic activity in the regions, there is no possible way to chalk these numbers up in the "Errors and Omissions" column. The cash must go through nominally legitimate channels, in such volume that the nominally legitimate channels — like the HongShang — cannot possibly be unwitting as to the origin.

Even these numbers do not sufficiently reflect the scale of the cash flow derived from crude opium sales alone. It must be added that most of this cash flow is seasonal; virtually all wholesaling must be completed during the two months following the March poppy harvest. Correspondingly, the visible flow of drug-related funds is several times as large during those two months.

4. Finally, the wholesale and local retail cash figures presented above exclude what is possibly the largest component of Far Eastern narcotics money: the reflow of funds back to the Far East from sales made in the West. The narcotics wholesaler in Bangkok or Rangoon or Hong Kong with direct contacts with the growers and control of refineries has paid about \$2,000 a pound for the refined heroin. Between him and the street corner, the same pound of heroin will undergo three markups of 1,000 percent. Its ultimate retail value (for pure heroin) will be close to \$5,000,000 per kilogram, according to official DEA figures, or \$2.27 million a pound, with a total of \$25 billion for Western sales.

What portion of this markup, and, in what quantity, accrues to the Far East wholesaler? There is no possible way to estimate this. According to the record of arrests of heroin smuggling, a substantial portion of such smuggling is conducted directly through expatriate Chinese channels, like the Hong Kong-to-Vancouver route, (4) and the notorious activities of the China Sailors' Union of Hong Kong. However, it is this markup that pays the wholesaler's out-of-pocket costs, including the original purchase from the highlands merchant, the refining, the huge quantity (perhaps 300 tons annually) of acetic anhydride used in heroin refining, security, bribes, transportation,, warehousing, and so forth.

If the annual profit of the Golden Triangle operators is in the range of \$5 billion — or a mere one fifth of the annual retail sales

## GOLDEN TRIANGLE

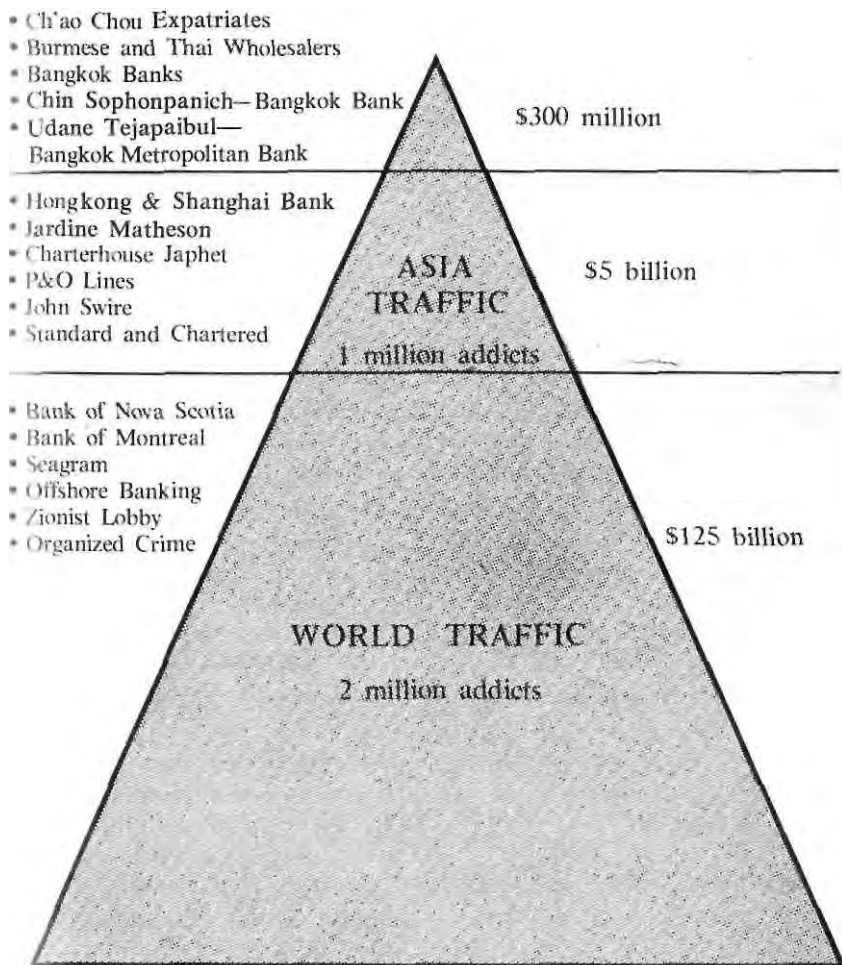


Figure 1

of heroin in the West — then the total cash flow in the Far East related to drugs is not \$1 billion, as above, but \$6 billion. The actual reflow is probably several times that sum. Some of the \$5 billion may be banked elsewhere than in the Far East. The comparisons to the size of the region's economic activity become all the more grotesque: Thailand's 1976 total exports were only \$2 billion. Even the \$6 billion figure does not include the huge Far Eastern market for opium and heroin consumption. Added in, the retail volume brings the total close to \$10 billion — twice Hong Kong's money supply.

There is another way to arrive at the same \$10 billion figure: the official estimate for bribes paid annually to Hong Kong police is an astonishing \$1 billion, more than the annual police budget. From a hard business standpoint, that \$1 billion in payoffs is a major part of the overhead cost of both wholesale and retail drug operations in Hong Kong, the area's drug capital. Since the known profit margin in the drug trade is 500 to 1,000 percent, it is fair to state that the \$1 billion bribe figure is no more than 10 percent of local drug revenues. If \$1 billion is 10 percent of the total, the total is \$10 billion.



# 3

## How the Drug Trade is Financed

The chain of financial control of world opium traffic begins in Hong Kong, with billions of dollars in Hong Kong dollar loans to expatriate Chinese operators in the drug-growing regions. These expatriates include two of Bangkok's best-known bankers, according to American law enforcement files.

Hong Kong also provides essential logistical support, including:

- 1) Smuggler-sized gold bars, obtainable through Hongkong and Shanghai Bank subsidiaries;
- 2) Diamonds, available through Hong Kong's Anglo-Israeli controlled diamond monopoly; and
- 3) Warehousing facilities, dominated by a subsidiary of the Hongkong and Shanghai Bank.

## The HongShang

Hongkong and Shanghai Bank is the semi-official central bank for the Crown Colony, regulating general market conditions,

holding excess deposits of the myriad smaller banks, providing rediscount facilities, and so forth. Clearly, the Hongkong and Shanghai Bank is also the financial hydra unifying the production, transportation, and distribution of Asia's opium.

Not only does it dominate financial activity in Hong Kong, with 50 percent of total banking business on the island, but "bank and government often work closely together," (1) the London Financial Times comments. The Colonial government in Hong Kong makes virtually no statistics on banking activity available. Commenting on the \$8.3 billion figure for Group of Ten bank operations in Hong Kong, the Financial Times notes that, "The official figures are also just the tip of an almost certainly greater volume of business, which is conducted by international banks with finance company subsidiaries in Hong Kong, or organized from Hong Kong but routed through entirely offshore accounts in such places as Vila (New Hebrides)." (2) To be precise, there are 213 deposit-taking finance companies in the Colony, as well as 34 local banks and 104 bank representative offices. Over these squats the HongShang.

## The Chinese middleman

The essence of the bank's drug control is its intimate relationship to scores of expatriate Chinese banking families scattered throughout the Far East. The British and Dutch connection to these families dates back to the first East India Company penetration of the region. The central banking role of the HongShang expresses an agreement that grew out of a century of official opium trade and continues through the present.

First, consider the financial and logistical requirements of the trade. Planning for the March opium harvest begins in September. The Bangkok or Hong Kong drug wholesaler must estimate the size of his market during the next summer, and, after market research is completed, inform his agents in the triborder area. (That market research must come from the United States and other retailers.) They, in turn, will communicate to the Yunnanese and other merchants who operate in the poppy-growing high-

lands to the north what the market will bear for the next harvest. The merchants then inform the Meo peasants what acreage they may plant.

At this point, the wholesaler must consider the following. First, the physical means of payment must be obtained, including American or Soviet armaments, gold in appropriate small-bar or jewelry form, or whatever, and this to the tune of \$140 million worth. Golden Triangle peasants can't use American dollars. Thousands of mules and muleteers must be made ready for the treks into the highlands. Bribes must be paid, routes monitored, border conditions observed, smuggling routes secured, contacts opened in the West, and other loose ends secured. The required seed money is in the range of the wholesaler's \$2,000 a pound price for refined heroin. (3)

What portion of the investment is made through "internal resources" of the drug wholesalers, and what portion borrowed, is a matter of guesswork. It is known that a very large amount is borrowed seasonally to finance drug wholesaling, largely from expatriate Ch'ao Chou Chinese banking networks. Since the Ch'ao Chou category includes Thailand's most prestigious bankers, who are known to engage in financing drug traffic, very considerable financial resources are at the traffic's disposal. It is a matter of a 200 percent annual rate of interest — agreed and no questions asked.

Known "angels" of the narcotics trade include Chen Pi Chen, a.k.a. Chin Sophonpanich, Chairman of the Board of the Bangkok Bank, with \$5 billion in assets; and Udane Tejapaibul, former Chairman of the Board of the Bangkok Metropolitan Bank, with \$2.4 billion in assets. Significantly, Sophonpanich, whose name is a Thai pseudonym, is a Ch'ao Chou Chinese expatriate. (4)

Such scandalous relationships are not much of a surprise in the region. At the time of the 1973 Thai coup, the premier's son and chief of the narcotics bureau, Narong Kittikachorn, was found to be a prominent investor in drug wholesaling.

The annual credit line that must be extended to drug wholesalers, assuming they finance half their operations through credit, probably comes to about \$150 million. Through pure chance, that is the average annual growth of the Bangkok Bank's "Loans and

Advances" during each of the last ten years. Of course, Chin Sophonpanich competes with many of his Ch'ao Chou colleagues for this lucrative business.

### THE CH'AO CHOU

Wherever the Ch'ao Chou expatriate banking community has surfaced in leading positions of influence, Peking, British, and opium trade connections are evident. In 1958, the Thai authorities issued a fraud warrant against Bangkok Bank's Sophonpanich. He fled to Peking and remained there until 1965, after which he returned, a deal with the Thai military in hand. According to area sources, Sophonpanich still maintains close contact with the Peking regime.

As one among several Bangkok financiers who finance the drug wholesalers in the volume of \$100-200 million per year, Sophonpanich's contacts include several names that have frequently appeared on the "Opium Watch List" of American law enforcement agencies: Ying Tsu-li, General Lo, and the brothers Hutien-Hsiang and Hutien-Fa, leading refiners of heroin in the triborder area.

In addition, area sources report that Sophonpanich has direct links to the so-called Triads, the expatriate Chinese secret societies that do most of the legwork in the opium traffic (see Part I).

Yet, Sophonpanich is actually nothing more than a subcontractor of the Hongkong and Shanghai Bank, as we now demonstrate.

## The HongShang-Chinese deal

Bangkok Bank illustrates the way the chain of financing leads back to the HongShang. Its current asset volume is \$5 billion, much larger than the savings capacity of the area could justify. Banking sources report that most of its credit-generating capacity comes from rediscounting of the trade paper of the Singapore and Hong Kong financial markets, and mostly with the HongShang itself. Since the HongShang controls 50 percent of Hong Kong deposits and acts as the ultimate rediscount agency

for the entire colony and much of the rest of Southeast Asia, the dependency of the Bangkok Bank and other Thai banks on the HongShang is virtually total. Most of the Bangkok Bank's lending volume is subcontracted business, controlled by the HongShang.

The British-Chinese expatriate link goes back as long as the British have been in the Far East. The British organized the systematic colonization of tens of thousands of Chinese expatriates throughout the area, and started them out in the lower levels of the business otherwise conducted by the East India companies and their successors. (5)

Even where Britain displaced early overseas Chinese financial interests from positions they had enjoyed in the precolonial period, they left them in local control or in a junior status in such areas as opium trading, and often virtually restricted them to those areas. As W.J. Cator notes in his book *The Economic Position of the Chinese in the Netherlands Indies* (6) and Purcell notes in *The Chinese in Malaya*, (7) Chinese monopolies of opium and alcohol local distribution continued in many Southeast Asian colonies, under the aegis of the colonial authorities, into the first decades of the 20th century.

Colonial powers divested Chinese merchants of control of many trading monopolies granted by the precolonial local authorities, but left them in control of gambling and local drug and alcohol distribution because Chinese secret societies were uniquely equipped to handle them. The secret societies, representing branches of societies operating in southern China, theoretically pursued the aim of their founding — the overthrow of the Manchu Ch'ing Dynasty in Peking. But as time wore on and the regime remained in power, the societies abroad became less interested in the politics of their homeland and more the instruments of overseas economic interests. As anthropologist William Skinner notes in his book *Chinese Society in Thailand, An Analytical History*, (8) the immigrant societies were usually headed by influential monopoly owners — opium traders, keepers of gambling and prostitution houses — who generally used the societies to further the interests of their monopolies.

In other economic sectors besides opium, it is common knowledge that overseas Chinese business interests were often

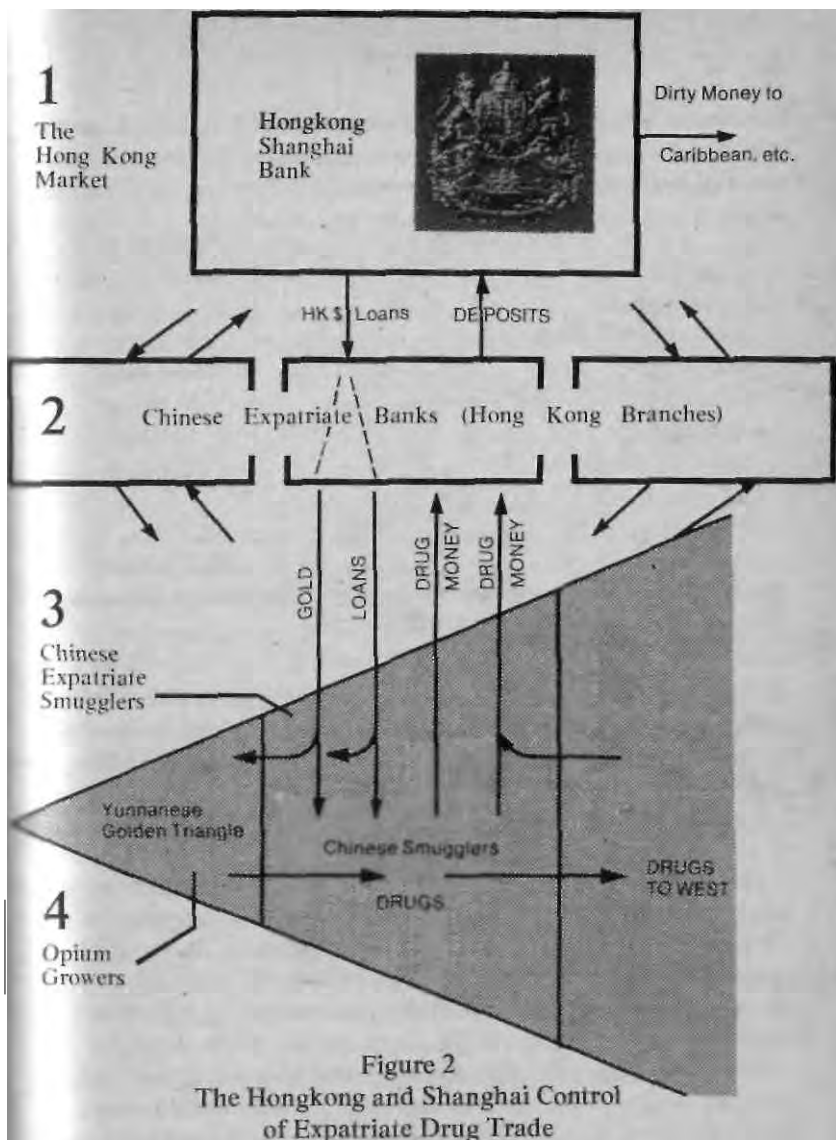
employed as compradors, middlemen in the service of colonial banking and trading operations, indispensable due to their knowledge of the local market and their language abilities. The close economic relationships that certain segments of the Chinese business community enjoy with particular British banking interests date from that experience. At every point in the postwar political history of the region, the Chinese expatriate financiers have acted as consistent allies of the British and Dutch. According to standard estimates, Chinese expatriate financiers currently control 60 to 80 percent of the economies of Indonesia, Thailand, and Malaysia.

### REGIONAL CONTROL

What the size of expatriate dependency on the Hong Kong market is can only be guessed. However, the existing financial data show that the Hong Kong financial market is enormously oriented to foreign lending, in roughly the same proportion as the American banking system. One-third of all Hong Kong-dollar denominated loans — excluding the so-called Asiadollar market — are to foreign borrowers. Foreign lending stood at HK \$18.47 billion in March 1978, against \$39 billion in local loans. (There are about 4.6 Hong Kong dollars to one U.S. dollar.) (9)

Since the borrowers' market for Hong Kong, rather than American, dollars is limited to the areas of the Far East still under British financial sway, the HK \$18.47 billion figure of overseas loans reflects the immense financial dependency of Burma, Thailand, and Malaysia on Hong Kong. The business is largely conducted through Chinese expatriate family ties. Most of Hong Kong's 250 locally registered finance companies, in fact, are owned by Chinese expatriates.

The scale of expatriate Chinese operations, centered in Hong Kong and dependent on the HongKong and Shanghai Bank, is gigantic; the overseas Chinese community controls 42 percent of the foreign trade of the Southeast Asian countries, compared to 32 percent of Western business, 18 percent of non-Chinese local firms, and only 8 percent of state-controlled trading companies. (10) As of the most recent figures available, Chinese expatriate investments in the area totalled only slightly less than



The Hongkong and Shanghai Bank, self-described as "a monument to British finance in Asia," is in full control of the Hong Kong money market (1), on which such Chinese expatriate institutions (2) as the Bank of Bangkok absolutely depend for rediscounting loans, etc. Opium smugglers and wholesalers (3) in turn depend on the expatriate banks to finance their barter-purchase, refining and transport of opium and heroin from the "Golden Triangle" peasants of Southeast Asia and China's Yunnan Province (4). From seed-money to dirty-money, the proceeds of the drug trade start and finish with the HongShang.

combined American, Western European, and Japanese investments (although recent Japanese expansion in the area may have shifted the proportion somewhat).

Country	Total Chinese Investment	Expatriate
Indonesia	\$1.2 billion	
Malaysia and Singapore	2.2 billion	
Philippines	1.0 billion	
Thailand*	.3 billion	
Cambodia**	.12 billion	
South Vietnam**	.25 billion	
TOTAL	\$5.07 billion	

\*Does not include investments of "assimilated" Ch'ao Chou bankers such as Udane Tejapaibul and Chin Sophonpanich.

\*\*Current status unknown.

The above figures only give a partial picture of overseas Chinese financier dominance of Southeast Asian economies, because the expatriate Chinese bourgeoisie is overwhelmingly in such strategic sectors as banking, insurance, shipping, warehousing, and other intermediary activities, rather than manufacturing or agriculture.

According to one of Stanford University's classic China studies, Thompson and Adloff's *Minority Problems in Southeast Asia*, "Foreign-exchange and other controls (imposed by national governments in the area — ed.) have transformed many of the Chinese into smugglers and black marketeers, and such operations have increased both their wealth and their unpopularity. Attempts to control the Chinese have almost everywhere run into the bewildering maze of overlapping Chinese organizations which exists in every country of the area, and they have been frustrated by Chinese evasion, ability, and indispensability." (11)

The activities of the corrupted section of the expatriate Chinese community in Southeast Asia have provoked a long series of clashes with national authorities — who have not generally been successful in limiting illegal traffic. The one exception is the Brit-



ish possession of Hong Kong, the center of illegal operations in the area, where the smugglers are members of Hong Kong's high society, e.g., Macao gambling overlord Stanley Ho, who made his career smuggling strategic materials from Hong Kong to China via Macao during the Korean War.

# 4

## Britain's Gold and Dirty Diamond Operations

One feature of the financing chain of the Far Eastern drug traffic—the Asian gold market—is a tipoff of the British (and especially Hongkong and Shanghai Bank) control over the entire process. It might seem strange to the general reader, but the gold connection was one of a handful of critical clues that led investigators up the whole chain of evidence that will eventually put the management of the HongShang and a few other long-established institutions behind bars.

Vast quantities of gold are absorbed into the Asian drug trade—an inestimable percentage of the 400 to 600 tons of the metal that pass through the orient in a year, mainly through Hong Kong, and mainly through subsidiaries of the HongShang. The trade could not run without it and other precious, portable, untraceable substances—like diamonds.

First of all, peasants of the Golden Triangle poppy fields do not appreciate secret accounts in the Bahamas. Furthermore, since the end of the Vietnam War, and the end of the widespread traffic in contraband and American arms and American dollars, the U.S. dollar in the form of currency is no longer an acceptable

medium of exchange. They must be paid in food—which they do not produce themselves—goods, and gold or the equivalent.

Secondly, the People's Republic of China's share of Golden Triangle production is paid almost entirely in gold, shipped in bulk across the Burmese border. (1) PRC gold income on opium production probably absorbs around one-seventh of all gold traded in the orient (judging from data analyzed more closely in Section 6, The Peking Connection). There could be some double counting here, since Peking also sells gold on the Hong Kong market.

Third, and possibly most important, gold cannot be traced, although any bank transfer ultimately can. One bar of gold looks like any other; changing a bank balance into gold or diamonds, and then changing it back into a bank balance, is like crossing a river to avoid bloodhounds.

Gold is so important to the entire business that the metal's price is pegged to the price of raw opium in the Golden Triangle highlands. The dollar's fall in terms of the gold price from \$35 an ounce before 1971 to about \$225 recently has also dramatically escalated opium wholesale prices. The escalation of the gold price over the past year has been so steady that all the numbers regarding the size of the opium trade may already be gross underestimates. One indication of the closeness of the gold-opium relationship is the well-known story that the CIA fieldmen in northern Laos carried both gold and opium, to use as means of payment to the local Me'o population in case of need.

## How illegal gold travels

The American public will be shocked at how openly the HongKong and Shanghai Bank uses its monopoly in the Far Eastern gold trade to feed smuggling operations. Prior to the official opening of the Hong Kong gold market in 1974, HongShang openly financed the gold markets of Macao, the flagrantly crime-ridden island that plays "offshore" to Hong Kong's own "offshore" operations. Today the Hong Kong market is run topdown by Sharps Pixley Wardley, a 51-percent owned subsidiary of the HongShang. The Hong Kong market's current daily trading

volume is in the hundreds of millions of dollars, on a par with London and Zurich.

Apart from Hong Kong, the other route for smuggled gold to the Far East is through the Persian Gulf sheikdom of Dubai. The dominant commercial and gold market force in Dubai is the British Bank of the Middle East, a 100 percent subsidiary of the Hongkong and Shanghai Bank.

A 1972 description from one of Britain's best-known experts, Timothy Green of Consolidated Gold Fields, Ltd., (2) is instructive on how the illegal flow of gold travels:

"It may indeed sound romantic, but it is a fact that both in 1970 and 1971 at least 500 tons of gold—that is to say half of all South Africa's production, or 40 percent of total gold production in the non-communist world—passed through unofficial channels on the way to its ultimate destination."

"Unofficial" channels, as the author proceeds to make clear, means illegal channels. Most of the world's existing gold is held by central banks; prior to 1971, gold was the basis of central bank reserves. With the advent of the new European Monetary System, gold is again becoming an official monetary reserve. Gold dealings among banks, industrial users such as jewelers, and so forth, are also counted as "official" channels.

Apart from the drug traffic and related money-laundering uses, gold smuggling has played a major role in aggravating the payments deficits of Third World countries such as India, where large numbers of private citizens hold gold. However, the Indian government in 1977 opened up direct sales to the Indian population. This largely eliminated India as a haven for gold smuggling by making gold available through official channels. Despite this, judging from the activity of the Hong Kong market, the proportion of gold running into illegal channels has, if anything, increased, and the drug-related proportion of the illegal gold increased as well.

#### "UNOFFICIAL" MEANS ILLEGAL

Green continues: "... these unofficial channels usually start in gold markets such as Beirut (since defunct — ed.), Dubai, Vientiane, Hong Kong and Singapore which I am discussing

today. Their chief role — their *raison d'être* — is as distribution centers for the smuggling; they are entrepôts convenient to nations, which for a variety of reasons, forbid the official import of gold for commercial or hoarding uses ....

"Dubai has become the largest gold market in the world, except for London and Zurich — no mean achievement for a shiekhdom with a population of around 60,000. Both in 1970 and 1971 Dubai had well over 200 tons of gold — indeed in 1970 the equivalent of a quarter of all South African production found its way along this golden pipeline to India and Pakistan (and further East. Since the beginning of official gold sales by the Indian government, and the reopening of the Hong Kong gold market, Dubai's importance has attenuated somewhat — ed.) . . .

"By contrast to Dubai, a gold market that developed very quickly to meet a special short term need was Vientiane in Laos. The market there really grew with the escalation of the war in South Vietnam. And it grew because it was the nearest and cheapest source of gold. . . . This gold which was bought as a hedge against the constant devaluations of the Vietnamese currency and to hide the vast black market profits made from pilfered American arms and equipment, was paid for almost entirely in cash. (Throughout the 1960s and 1970s, pilfered American arms and equipment formed a major part of the barter goods exchanged for opium in the Golden Triangle highlands — ed.).

"Vientiane's short success made some impact on the oldest gold market in the Far East — Hong Kong, or more correctly Hong Kong-Macao, for the two are held together as it were by a golden chain. Hong Kong, as a British Crown Colony, forbids the private holding of gold bullion; only commercial gold of less than 945 purity may be traded. To get around this regulation, gold bullion has for more than twenty-five years made a curious side-ways shuffle from Hong Kong to Macao and back again. The gold bullion — in 995 good delivery bars — that comes into Hong Kong by air from Europe and Australia ... is transferred in Macao, where it is melted down into Chinese 1.5 and 10 tael bars. It then returns, stealthily, to Hong Kong. This traffic has been presided over for many years by the Wong Hong Hon Company which negotiated a series of two-year contracts with the Portuguese authori-

ties in Macao for exclusive rights for the gold traffic. The traffic was financed by the Hongkong and Shanghai Bank," (emphasis added)

That is, in the testimony of Britain's leading gold expert, the HongShang financed illegal gold trade in Hong Kong itself, prior to the reopening of the Hong Kong gold market, after which the HongShang subsidiary Sharps Pixley Wardley took over the legal trade.

#### AN UNDERESTIMATION

Digging into the back archives, it is clear that Consolidated Gold Fields' 40 percent figure for smuggled gold in 1972 represents, if anything, a moderation of past trends. Earlier figures are much higher. For example, British author Paul Ferris in *The City* (3) claimed that in 1951 only 17 percent of all world gold production went through official channels; Ferris's report was based on interviews with the London gold pool. "What happens to the gold when it disappears into the economic undergrowth of the East is of no concern to the London bullion dealers," Ferris claimed, but as we will demonstrate, the London bullion dealers know precisely what happens to the gold in the Far East. The London bullion market is merely a subsidiary of Dope, Incorporated.

In the July 22, 1952 issue of *The Reporter*, an article under the byline of H.R. Reinhart, the then Far East correspondent of the *Neue Zuercher Zeitung*, estimated Asian gold smuggling at \$150 million in that year. At today's gold prices, the figure would be \$1 billion for the same quantity of gold. The account bears impressive credentials, since 1) the *Reporter* editor at the time was Harlan Cleveland, now a senior official of the Aspen Institute, and part of the present drug machine in the U.S.; and 2) the *Neue Zuercher Zeitung*, Switzerland's top daily paper, is linked through European aristocratic ties directly to the British monarchy. (4)

Reinhart identified a "Golden Loop, the circuitous path that leads from North Africa to the coast of Red China and back again as far west as India." The center of gold smuggling was the Portuguese-controlled island of Macao, where gold smuggling is

legal, and "anyone who dares call a smuggler a smuggler can be sued for libel." Then the gold is smuggled into Hong Kong, and thence to the rest of Asia.

A mere 3 percent of the smuggled gold is seized by Hong Kong authorities, Reinhart noted, even though customs officials receive a 20 percent commission on all seizures; presumably, bribes to customs officials are more substantial.

Standard Western and Soviet sources estimate the smugglers' commission at 30-50 percent in such transactions. Soviet economist M.A. Andreyev reports: "According to a Chinese businessman in Singapore, smuggling yields a profit of up to 100 percent on invested capital, which is several times higher than the profit received in the basic branches of the island's economy. In Hong Kong the commission paid to smugglers amounts to from 30 to 50 percent of the cost of the smuggled commodities." (5)

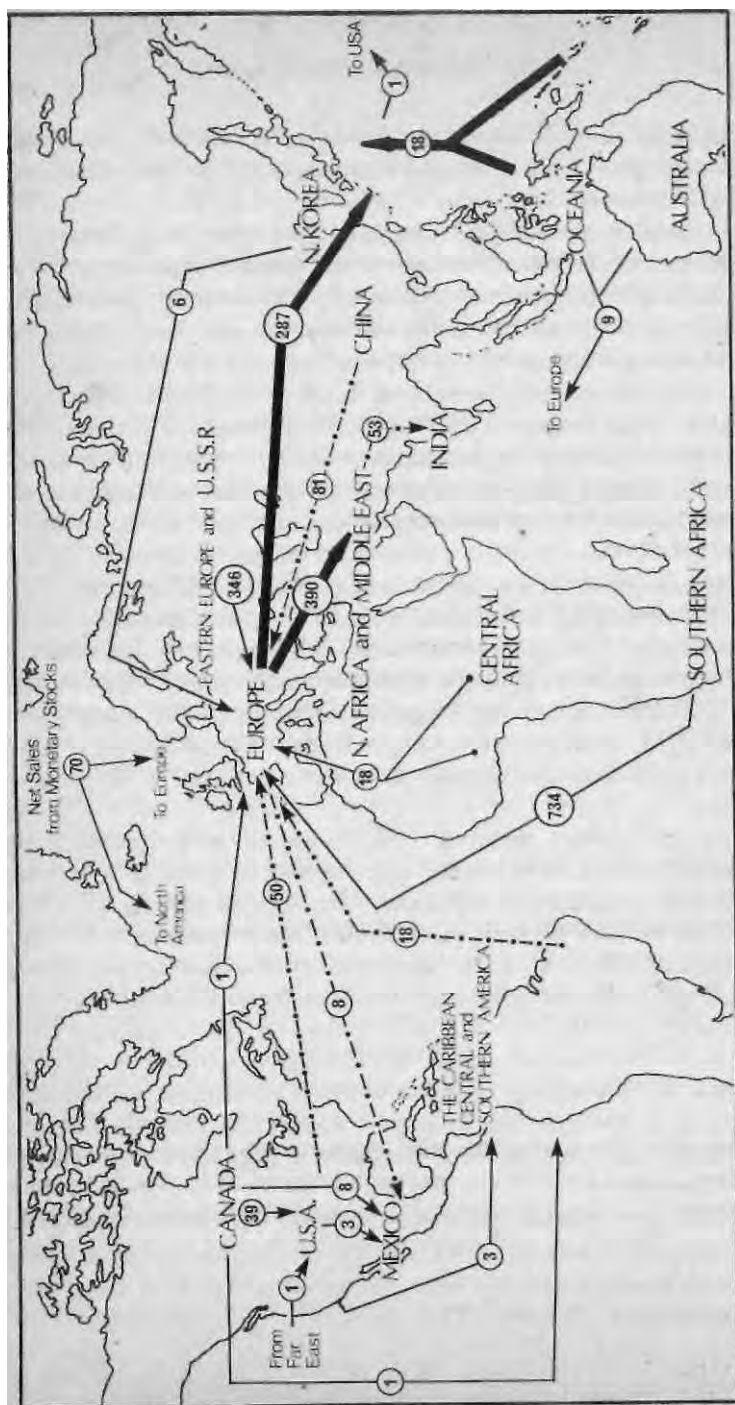
However, if the bribes paid to Hong Kong customs officials are substantial enough to overshadow the 20 percent kickback on seized contraband gold, the bribes must also be in the order of 30 to 50 percent. The point is that the gold trade itself would not be profitable, unless it were only a bridge transaction in a much more profitable operation — e.g., narcotics traffic! That is the case.

But as Reinhart reported, "British justice, as dispensed by the magistrates' court in Hong Kong, extends even the benefit of the doubt to a suspected smuggler caught with the goods." That should not be a surprise at this point; as noted before, it was a matter of public record for a quarter century that Britain's Hong-kong and Shanghai Bank itself financed the gold smuggling!

### PEKING'S GOLD

One further crucial point — whose full importance will only emerge in the following sections — is that the People's Republic of China has been in on the illegal gold market since the 1949 Maoist takeover.

Gold flown into Macao, as noted above, was (before Hong Kong opened up its gold markets in 1949) resmelted into bars of less than 95 percent purity, whose trading the Hong Kong authorities hypocritically endorsed. The resmelting, Reinhart reported, was





the business of the Kan Kuam Tsing Company in Macao. "On the Hong Kong exchange," the Swiss journalist added, "the buyer is not unlikely from the People's Republic of China." Since the PRC buyer wants metal of monetary-reserve purity, above 95 percent, he takes the gold back to the Kan Kuam Tsing Company, and reconverts the gold back to a higher purity level. Reinhart identified the firm Pao San and Co. as a regular vehicle for Peking gold purchases during the early 1950s. (6)

According to Reinhart, the PRC entered the Hong Kong gold market in 1950. Last July's announcement that 13 Communist-owned banks in Hong Kong would be permitted to trade directly in the Hong Kong gold market thus only extends an agreement that has been in force since the founding of the PRC.

## One big gold pool

Apart from a relatively insignificant flow of gold into Hong Kong from mines in Australia and the Philippines — insignificant

Figure 3

Adjacent map is based on one appearing in the 1977 annual report of Consolidated Gold Fields, Ltd. The world total of gold in metric tons was only approximately 1,500. Of this, 390 metric tons was distributed from Europe through Dubai and 287mt through China, primarily by British-controlled agencies, most of it ending up in Hong Kong. Another 18mt is directly exported to Hong Kong, for a total of 695mt. The vast proportion of this flow is "unofficial," and is put to use in drug-related dirty-money laundering. (Cf. Figure 5.)

compared to the 300 tons of gold traded in Hong Kong during 1977 and the 600 tons traded during 1978 (projected) — Hong Kong depends entirely on the London gold pool for its supplies.

Why do London's gold pool operators tolerate this situation? Because the London gold pool is the same operation as the Hongkong and Shanghai Bank, controlled by the same London families whose drug-running activities go back 150 years.

There are two major South African gold producers, Anglo-American and Consolidated Gold Fields (whose gold specialist was quoted above); there is one major South African diamond producer, De Beers, largely owned by Anglo-American; and five major London gold pool firms, who meet every day in the trading room of N.M. Rothschilds at New Court, St. Swithin Street, London, to set the world gold "fixing." Examining these firms individually, we discover such a manifold of connections that it is meaningless to speak of the London and Hong Kong gold markets as anything but branch offices of the same operation.

Hongkong and Shanghai's own gold-trading outlet is Sharps Pixley Wardley, of which they own 51 percent. One of the five London gold pool firms, Sharps Pixley, owns the remaining 49 percent. But Sharps Pixley itself is a fully owned subsidiary of the London merchant bank Kleinwort Benson whose deputy chairman is Sir Mark Turner, the chairman of Rio Tinto Zinc. Rio Tinto Zinc itself was founded a century ago with the opium-trading profits of Jardine Matheson, by a member of the Matheson family; the Mathesons are still large shareholders in the HongShang. The Matheson family's heirs, the Keswick family, still have their traditional seat on the HongShang board. Sir Mark Turner spent World War II at Britain's Ministry of Economic Warfare, which also employed Sir John Henry Keswick, and another HongShang board member, John Kidston Swire.

Hong Kong's second largest bank, the Standard and Chartered Bank, owns a majority share of another member of the London gold pool, Mocatta Metals. Standard and Chartered's predecessor, the Standard Bank, was founded a century ago by Cecil Rhodes, of whom we will have much to say later in Section 7. Standard and Chartered is not only a close collaborator of the HongShang in such matters as the transfer of Red Chinese opium

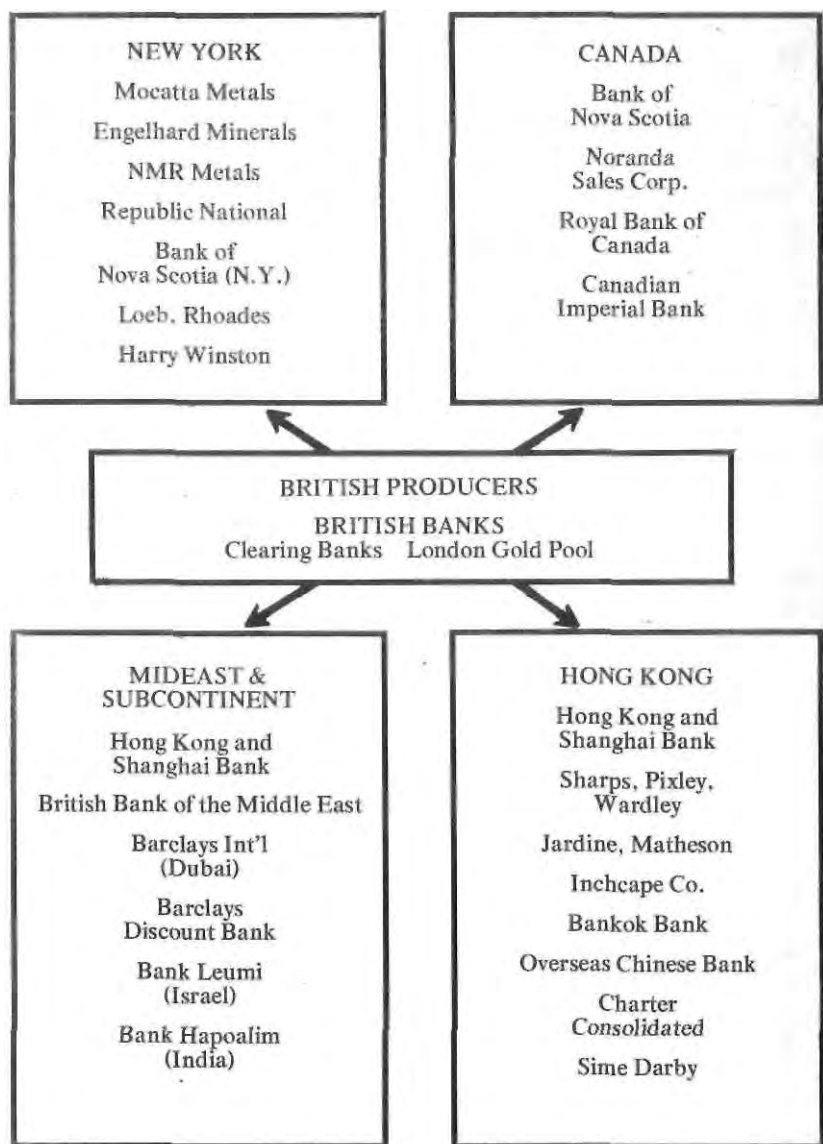


Figure 4. British Gold and Diamond Syndicate

money (see Section 6 below) — but is heavily interlocked since the days of the official British opium trade.

One of Standard and Chartered's directors is the current Lord Inchcape, of Inchcape and Co. and the Peninsular and Orient Steam Navigation, the latter dominating ocean freight in the Far East. Both companies are heavily represented on the HongShang board of directors. Inchcape's father wrote the notorious 1923 Inchcape Report recommending continued British sponsorship of the opium traffic — despite the outrage of the rest of the League of Nations — in order to "protect the revenues" of then-British colonies in the Far East.

This example also indicates why the London gold pool's dirty money operations are a worldwide, not merely a Far Eastern, problem. Mocatta Metals, a subsidiary of Standard and Chartered's Mocatta and Goldsmid, operates one of New York's biggest dirty money laundering operations.

Mocatta Metal's current chairman, Dr. Henry Jarecki, has been under investigation for years for illegal activities, although no indictment has yet been handed down. According to European intelligence sources, Jarecki's dirty money operation helps fund the activities of the Mossad, Israel's foreign secret intelligence service, in New York City, including assassination teams.

Jarecki is no small fry: he is a frequent gold columnist for British financial publications such as *Euromoney*, and rated a lengthy profile in the September 1978 issue of *Fortune* magazine. Nonetheless, he is eminently suited for the role of bag-man for Israeli intelligence hit squads. Jarecki began running drugs as a small-time pusher on the University of Michigan campus in 1950-51. In 1952, he spent six months in jail for suspected espionage in East Berlin. According to published sources, approximately half of Jarecki's present staff of 28 gold traders started out in the same Harvard Psychology Department that featured LSD-pushers Dr. Timothy Leary and "Baba Ram Dass" in the early 1960s. (7)

Midland Bank stands behind both Standard and Chartered and Mocatta and Goldsmid, with a 20 percent ownership of Standard and Chartered; it also wholly owns another London gold pool bank, Samuel Montagu. Sir Mark Turner is a director of both

Midland Bank and Samuel Montagu. The Montagu family, heavily intermarried with the Rothschilds, Montefiores, and Samuels, is the cream of Britain's Court Jews. One of their proteges is HongShang board member Philip de Zulueta.

N.M. Rothschild and Sons, which opened up operations in Hong Kong in 1975 to take advantage of the newly liberalized gold trading laws, and Johnson Matthey, the remaining members of the London gold pool, are also interlocked several times over with both the HongShang and the major South African gold producers, Consolidated Gold Fields and Anglo-American who control between them 90 percent of South Africa's gold output.

(For further details see Section 7 and 8.)

## The diamond black market

Second in importance in the money-laundering process is the world diamonds market, worth \$5 billion annually at wholesale value, whose single presiding manager is Sir Harry Oppenheimer of De Beers Corporation. Oppenheimer is also the chairman of the larger South African gold producers, Anglo-American. The Anglo-American and De Beers complex runs the Hong Kong side of the money-laundering diamonds operation on two levels — wholesale and retail. De Beers runs 85 percent of the wholesale diamonds market; through his intimate Israeli connections, Oppenheimer also runs the Hong Kong diamond market.

### WHY DIAMONDS

There are two points of special relevance for diamonds to the international heroin traffic. The first is that, in value relative to size and weight, diamonds are the closest approximation to heroin as a store of value for furtive use. Secondly, the De Beers-controlled international diamond cartel operates according to a pyramidal structure identical to that of the world heroin trade.

The use of expatriate ethnic networks for the dirtier side of the operations is also homologous, except that in the case of dia-

monds, Jews take the place of Ch'ao Chou Chinese. Not coincidentally, there is almost as little publicly available information on international diamonds trade as on the heroin traffic.

South Africa's largest producer, De Beers, was the 1888 creation of Rothschild legman Cecil Rhodes; in 1929, the company underwent reorganization by Sir Ernest Oppenheimer, of the Anglo-American family. De Beers controls the Central Selling Organization (CSO), which handles 85 percent of international diamond trade.

At ten "sights" each year, 300 clients purchase stones from the CSO. The list of these select clients is secret. Following their purchase by the secret list of clients, the diamonds are sent to cutting centers for further preparation. The two dominant cutting centers are Antwerp and Ashqelon, in Israel. Antwerp's diamond-cutting and related trade is financed by the Banque Bruxelles-Lambert, controlled by the Lambert family, the Belgian cousins of the Rothschilds. Israel's (and also New York's) diamond business is financed by Bank Leumi. (8)

Within the individual centers, dealers trade among themselves on such exchanges as the New York Diamond Dealers Club, the Ramat Gan in Tel Aviv, and the Antwerp Diamond Bourse. No written records are kept of any transactions on these exchanges; the agreements are sealed with a handshake. No aspects of this trade are available for scrutiny by law enforcement agencies, even under American law, before the diamonds reach the jewelry store level.

Hong Kong's own substantial wholesale diamond market is the virtual monopoly of the Union Bank of Israel; this bank is wholly owned by Israel's largest finance house, Bank Leumi. Bank Leumi, in turn, is under the control of Barclays Bank, on whose board sits Harry Oppenheimer and the Oppenheimer family itself. Bank Leumi's own chairman is Ernst Israel Japhet, of the Charterhouse Japhet family whose fortune derived from the official British opium trade during the nineteenth century!

Ten times a year, representatives from the Ramat Gan, Tel Aviv's diamond exchange, go with Union Bank financing to the De Beers Central Selling Organization "sights" in London, and purchase one-third of the world diamond output.

Like the Peking-British-controlled Ch'ao Chou Chinese networks in the Far East, Britain's Zionist financiers are a cult unto themselves, with their own family networks, cults, and language. New York's diamond market consists, at the lower levels, mainly of members of the extremist Hasidic sects resident in the area. This exotic feature of the diamond traffic achieved public notoriety after several unexplained thefts and murders occurred in the diamond trade during 1977.

Although there is an apparent division of labor between the Hofjuden precious metals and precious stones channels of the world dirty money operation, the various firms involved are so closely intermarried, interlocked, and interowned with the major dirty money banks, that the working of the dirty money apparatus is totally integrated.

A case in point is Canada, the dumping ground for all aspects of Dope, Incorporated that feed into the United States. The Bank of Nova Scotia, for example, is both the major gold dealer (and banker for the second largest gold dealer, Noranda Mines), and the major dirty money operator in the Caribbean.

The Nova Scotia is notorious for bribing its way into new branch offices in the Caribbean, violating local currency laws, running flight capital against currency restrictions, "investing" in local businesses known to be intelligence fronts, and so forth. Nova Scotia's branch network in the Caribbean is the largest of any bank in the world, save Barclays which has a similar pedigree. Gold is a specially useful medium for the special case of the Caribbean, where official restrictions make some bank transfers difficult. Conveniently, Nova Scotia leads the Toronto gold market.

The other leading gold market operator in Toronto is Noranda Mines: its chairman Powis is a member of the board of directors of the Bank of Nova Scotia. Powis is also a member of the board of Sun Life Assurance, the Rothschilds' insurance company.

## Hong Kong: The World's Drug Capital

Illegal drugs are the biggest business in the Far East — and by a close margin the biggest business in the world — but in Hong Kong, drugs do not merely dominate the economy: they are the economy. A look at the British colony of Hong Kong gives us a picture in microcosm of the drug-dirty money economy worldwide.

First, start with the fact that Hong Kong is the most drug-ridden place in the world, per capita. Official British police estimates have it that 10 percent of Hong Kong's population or 500,000 people, are hardcore addicts. Unofficial estimates run this figure up to 50 percent. A safe, conservative estimate is 20 percent or 1 million people — more than New York City's addicts. Assuming the daily cost of a serious opium or morphine habit in Hong Kong to run to about \$10 U.S., the annual cash-flow of retail drug sales at HongShang's back porch runs to about \$3.7 billion.

As the region's central bank, the Hong Kong and Shanghai bank provides banknotes to its clients, among other services. Any reasonable estimate of Hong Kong's dirty money operations including the retail drug trade, as well as the notorious bribes to police officers, international drug wholesaling based on the



island, illegal gambling, and other forms of illicit transactions, must yield a shockingly large number. With a drugged-up population of that size, the life of Hong Kong's population must be organized around illegal activity.

Shifting focus to New York City for a moment indicates the magnitude of the world's drug-centered illegal economy. Most estimates put the city's addict population at 500,000 (and another 250,000 nationally). Assuming a \$50 per day habit is average — which the federal estimates apparently do — this addict population must obtain \$9 billion a year out of New York City's faltering economy to meet its needs.

Where does it get \$9 billion? Not substantially through well-paying jobs. With rare exceptions that is physically impossible. Not from muggings; however bad matters seem, neither 500,000 muggings, nor a combination of muggings and burglaries, take place daily in New York City. Even prostitution could contribute only a small portion of the \$9 billion annual habit of New York City's addicts.

Where does the money come from? From organized crime activity: the numbers racket, bookmaking, protection rackets, autotheft, stolen auto parts distribution, prostitution, pornography, arson-for-hire, and similar occupations. Drug addiction could not possibly exist without organized crime to provide the means of financing addiction.

The National Education Television's recent series on the narcotics trade demonstrated irremonstrable nerve by repeatedly citing the view of the (well-paid) Royal Police of Hong Kong that the narcotics traffic will always exist as long as there is a market. The market for the worst form of human misery not only is the most centrally organized of any market in the world, but could not possibly exist in any other way. If the demand provokes the supply, one might ask, why do narcotics wholesalers produce roughly ten times what addicts can consume annually?

Hong Kong is the capital of the world's illegal drug economy. This explains some of its most notable characteristics: the biggest illegal market in dirty money, drugs, and gold; the world's biggest liquidity ratio; and the world's biggest bribe rate.

The annual exports of the colony this year will be no more than

\$8 billion; as we have seen, it will take in more than \$10 billion in drug and drug-related financial activity. There is no credence to the myth that Hong Kong's economy is booming on the basis of cheap electronics and textiles.

## The illegal market

Apart from retailing and wholesaling of drugs, huge sectors of the island's economy are indirectly dependent on the drug traffic. Exemplary is the booming gold market, whose turnover doubled from 305 tons in 1976 to 600 tons (worth \$43.6 billion) in 1977. Some several hundreds of millions of dollars of gold go directly to the Golden Triangle; hundreds of millions more absorb and hide the profits of drug traffickers across the Far East.

This is the place where the Hongkong and Shanghai Bank smuggled gold openly for a quarter-century, rigs the stock market in full public view, and promotes Chinese smugglers to the upper reaches of Hong Kong society. Nothing moves in the colony without the knowledge and approval of the Hongkong and Shanghai Bank and interlocked old-line opium trading companies. They set the island up as an opium center in the 1820s when it was bare rock, and they run it now.

A Soviet commentator, M.A. Andreyev, wrote in 1974:

"In the Far East Hong Kong is the main center of illegal operations in gold and foreign exchange. Large-scale illegal transactions are carried on regularly there in Filipino pesos, Indonesian rupees, Malay and Singapore dollars, Burmese kyats, Thai bahts, South Vietnamese piastres, Cambodian riels, Laotian kips, Chinese yuans, British pounds and U.S. dollars. The foreign exchange transactions in Hong Kong daily involve several billion U.S. dollars (the figure is a gross underestimate, even for 1974 — ed.), with the larger part of these transactions carried on by businessmen from Southeast Asian countries. On a lesser scale such illegal transactions in foreign exchange and gold are conducted in Singapore and Bangkok ....

"The overseas Chinese bourgeoisie actively finances the gold

and foreign currency operations in Hong Kong and on the outskirts of Southeast Asia. Ever since the end of the Second World War much of the migrating capital from China has been used in the illegal gold and foreign exchange operations in Hong Kong. U.S. economists note that in the mid-1950s most of these operations in the Hong Kong black market were handled by Chinese brokers. Chinese businessmen are even more active in the gold and foreign exchange black markets in the Southeast Asian countries. Regarding the part played by Chinese financiers in the gold and foreign exchange market in the Philippines, a Hong Kong publication (Wong Po-Shang, *The Influx of Chinese Capital into Hongkong since 1937*— ed.) wrote: 'Besides remitting through the regular free market, these people have made transfers of their money by trade transactions and devious means as well as by out and out smuggling. This is said to be the case with money from the Philippines where large underground organizations are said to be in operation with the object of helping to smuggle funds, gold bullion and valuables out of the country.' " (1)

Andreyev adds: "Three types of transactions predominate among the innumerable and varied black market gold and foreign exchange operations. These are, first, the acquisition in the local market of gold and foreign exchange (mainly U.S. dollars) smuggled into the country concerned for local currency which devalues quickly. Next, the smuggling of local currency overseas, to countries with a relatively stable currency, for the subsequent exchange of that currency for gold or hard currency. Whereas these types of transactions involve the physical movement of gold and bank-notes from one country to another and are, thereby, closely connected with smuggling (in all Southeast Asian countries there are strict limitations on the inflow and outflow of gold, foreign exchange, and local currency), the third type of black market gold and foreign exchange operation is practically not linked with the movement of bank-notes or gold from country to country . . . (but rather with obtaining) funds in the black market from local businessmen desiring to build up large overseas hard currency or gold accounts.

"The existence of organizational links between numerous

Chinese companies in the different Southeast Asian countries makes it possible to export Chinese capital from country to country even without the physical movement of that capital. Take, for instance, a Chinese firm with branches in Hong Kong, Singapore, Djakarta, Kuala Lumpur and Bangkok. It can, if it so desires, pay for its operations conducted in its behalf by its Bangkok branch not through official channels but by transferring the necessary sum of money in foreign exchange to that branch's overseas bank account. In this case the Bangkok branch pays for these operations from its local currency fund and in exchange gets an addition to its hard currency account abroad." (2)

## Highest liquidity ratio

Hong Kong's drug traffic and the regionwide illegal dealings surrounding it undoubtedly account for the colony's chronic excess of liquidity (see *International Currency Review*, vol. 10, no. 4, for a descriptive analysis). Year-to-year growth in money supply as of April 1978 was 25 percent; however, some of that is attributable to inflows of foreign currency related to the opening of an offshore Hong Kong bond market. Over the past 15 years, the huge volume of external lending tended to suppress the otherwise huge money supply needed to finance several billions of illegal activity on an island whose reported money supply is now about \$4.5 billion, U.S. Offshore business booked through Hong Kong was formerly so large that the liquidity ratio of the banks (taking into account both cash and rediscounted offshore bills of exchange) stood at an extraordinary 50 percent. Most of the local money supply was in the form of cash. (3)

In effect, the cash-based local drug traffic in Hong Kong created a reserve base for offshore lending to finance the drug traffic in the rest of Asia! Since 1975, however, the development of the offshore bond market and the influx of foreign capital has led to the reduction of the liquidity ratio to a still-extraordinary 43 percent.

Understandably, even public business practice in Hong Kong is politically corrupt. The HongShang's entirely open role in gold

smuggling between Hong Kong and Macao was noted above. The London Financial Times of July 4, 1977 reported a 1977 scandal in which Wheelock Marden, a trading company listed on the Hong Kong Stock Exchange, provoked an investigation by the Securities Commission, after a "modestly optimistic statement" was followed by "revelation of huge profits drop, dividend cut, write-offs and liquidity problems."

The Financial Times wrote, "insider trading is rampant . . . . These flurries may be attributable to leaks by clerks, secretaries and translators, rather than to insider trading at the top. But who can blame these lesser lights when Mr John Marden is still chairman of Wheelock Marden, still sits on the board of the Hongkong and Shanghai Bank, is still a pillar of 'respectable' colonial society?" (4)

## Biggest bribe rate

Law enforcement sources report that the "lesser lights" are generally taken care of through the world's most efficient bribery system. At least \$1 billion is passed out to Hong Kong's officialdom.

According to a report in the same London Financial Times article cited above:

" 'Perhaps a billion dollars a year flow into the syndicates,' admits Mr Jack Cater, Hong Kong's head of the Independent Commission Against Corruption (ICAC) started in February. The sum gives one clue to the size of the problem the ICAC has to tackle. Another, Mr Cater points out, is the extent of official and in particular police corruption in the Colony. With membership varying from 10 to 300, there are at least 28 identifiable public sector syndicates, and 25 of them are in the Royal Hong Kong Police Force ....

"The ICAC has considered about 9,500 reports on corruption, about 85 percent of them involving Her Majesty's service. Reports of police crime (4,000) have regularly accounted for more than half the reports of government crime .... Mr Cater has failed to bring back the many wealthy and mostly Chinese

non-commissioned police officers who left Hong Kong before the ICAC cast its net." (5) (The largest concentration of the last-mentioned is in Vancouver, British Columbia, where they are still active in the narcotics traffic, according to law enforcement specialists.)

The \$1 billion figure cited can be counted as overhead on the narcotics and related drug traffic in the area. Earlier, the local Hong Kong retail drug traffic was estimated at about \$4 billion, and the area's drug wholesaling business at \$3 million and more. Assuming that bribes of police and other officials — what most of the \$1 billion cited represents — amount to no more than 10-15 percent of the volume of drug traffic, retail and wholesale combined, then the estimates for the size of the drug traffic already made are unquestionably on the low side. The \$1 billion in Hong Kong corruption annually estimated by the authorities — and it is not likely that this estimate is excessive — indicates drug traffic in and through Hong Kong of close to \$10 billion, by ordinary reasoning. That figure, of course, does not include bribes to customs officials at Bangkok, Rangoon, Singapore, and elsewhere, let alone bribes to Thai and Burmese army officials.

To the extent that limited efforts at giving the appearance of honesty have come to pass in Hong Kong, both the police and the Chinese expatriate community have risen in revolt against them. Last year police rioted uncontrollably against so-called anticorruption efforts. The July 4, 1977 Financial Times account notes that the crusade "enraged Chinese business in particular .... In a rare display, the Chinese Manufacturers Association (pro-Peking) and the Kowloon Chamber of Commerce held a mass rally to protest against 'interference in Chinese ancient customs.' " (6)

Such ancient customs indicate the nature of Hong Kong and its bank. According to custom, no bribes are solicited, none offered. Instead, couriers make their rounds through Royal Hong Kong Police and other official buildings early each Monday morning, leaving an envelope containing between one and five hundred-dollar bills in the top drawer of every desk. Any policeman who refuses to take his envelope will probably be dead within 48 hours, according to law enforcement officials.

# The Peking Connection

Some of them (U.S. troops in Vietnam) are trying opium. And we are helping them. . . . Do you remember when the West imposed opium on us? They fought us with opium. And we are going to fight them with their own weapons. . . . The effect this demoralization is going to have on the United States will be far greater than anyone realizes.

Chinese Prime Minister Chou En-lai,  
in conversation with Egyptian  
President Nasser, June 1965 (1)

Only since Henry Kissinger's 1972 trip to China has the Chinese role in the world opium trade been out of the headlines. The American, European, Japanese, and Soviet authorities had long insisted that Peking was a major primary producer and exporter of opium and its derivatives, and the British, under extreme

pressure from abroad, had to assent. The highlights of the public record to this effect follow below in this section. However, even the most compelling documentation of Peking's role in opium production misses the point.

Red China's revenues from opium exports, as we will demonstrate, are a mere \$800 million annually. Peking makes its real profits in the wholesaling, retailing, and financing of the opium traffic, mainly through Hong Kong, where the big money is made. As noted in Section 4, the People's Republic of China has taken active part in the gold smuggling side of drug financing in the orient since 1950.

But since approximately the time of the Sino-Soviet split in the late 1950s, Peking has deliberately integrated its external financial affairs with the top British drug-running firms in Hong Kong, and the expatriate Chinese drug wholesaling and dirty money networks throughout the orient. Peking's financial policy coincides with strategic commitment — stated unambiguously by the late Premier Chou En-lai — to the full-scale use of the opium weapon against the White Devils of the United States.

Peking's financial dependence on Hong Kong is a matter of public record. On Oct. 2, 1978, Chase Manhattan Bank's newsletter East-West Markets estimated that the financial flow into mainland China this year (excluding exports) through Hong Kong would total \$2.5 billion, up from \$1.3 billion in 1977. This \$2.5 billion includes income on Peking's foreign investments in Hong Kong and other Southeast Asian centers, plus remittances back to relatives on the mainland from Chinese expatriates.

Apart from the purely financial offtake, most of Red China's exports pass through Hong Kong. In 1976, Peking earned \$2.4 billion in exports through the British colony, or sufficient to cover 40 percent of the PRC's total import requirements for that year. Peking does all its banking through Hong Kong, largely through the Hongkong and Shanghai Bank, and secondarily through the Standard and Chartered Bank. Peking conducts all its investments abroad through Hong Kong. That dependency is not merely established, but is increasing markedly.

The astonishing \$2.5 billion financial reflow back to the PRC this year represents the fruits of Peking's 20-year-old program of



moving into the higher echelons of the drug traffic, by agreement with the British. Combining American and Soviet sources, we will demonstrate that this estimation of foreign drug revenues through Hong Kong is a good approximation of Peking's income from drug wholesaling, retailing, and financing, as well as gambling, real estate, and other shady joint ventures with British and expatriate Chinese finance, closely related to the drug trade proper.

Even the \$2.5 billion figure does not include the \$800 million Peking earns as a primary opium producer. To estimate Peking's gross revenues from the drug traffic, an additional sum of several hundred millions of dollars must be added: the overhead cost of maintaining one of the largest and best-financed intelligence and sabotage operations in the world, the Chinese Communist Intelligence Service (CCIS).

In summary, we will demonstrate that the People's Republic of China is a 40 to 60 partner with the British oligarchy in the Far Eastern narcotics trade.

### OLD TIES GROW STRONGER

Peking's current policy represents a direct line of continuity between the current regime and Britain's 19th century corrupt collaborators in China. Correspondingly, the fortunes of the Maoist Great Han Chauvinist faction in Peking are linked to the opium trade and the British oligarchy. They have staked China's economy — its capacity to import urgently needed foreign goods — on the opium trade.

In consequence, the factional importance of the opium issue inside China is enormous. One unmistakable indication that reached Western view is the peculiar case of the Chinese-made film *The Opium War*, now distributed throughout the West. The *Opium War* uses the 19th century events as a parable for contemporary China. The villains of the film are not so much the British, but the corrupt Chinese who enable the British to win the Opium Wars, by preventing the Emperor and his loyal intelligence chief Lin Tse-hsu from repelling the White Devils. The film was initially banned by Madame Mao and the rest of the "Gang of Four," allegedly because hero Lin Tse-hsu was an oblique refer-

ence to Gang of Four opponent Teng Hsiao-p'ing. Some observers, however, have speculated that the banning was related to a raging political battle over Peking involvement in drugs.

What political fireworks ensue every time a Japanese trade delegation, export-financing agreements in hand, shows up in Peking, can only be imagined. Japan's economic approach to China, embodied in the recent Sino-Japanese treaty, offers the PRC an alternative to dependence on drugs and the British. Correspondingly, the Japanese approach gives the anti-opium group in the PRC powerful factional arguments.

Despite the Japanese initiative, however, Peking's policy has taken dramatic new steps toward economic integration with British Hong Kong.

Among the first major foreign credit arrangements the Peking government has accepted was a \$200 million deposit last summer in the Bank of China by a consortium of banks led by Standard and Chartered. Then, in October 1978, the venerable opium traders Jardine Matheson concluded a \$300 million agreement with PRC firms in Hong Kong to develop a real estate complex adjoining a branch station of Hong Kong's new mass transit system. Apparently, the joint investment came as part of a package deal including the largest-ever export package to China, also announced at the beginning of October by Jardine Matheson, which handled the negotiations on behalf of a consortium of British firms. The \$300 million real estate development in Hong Kong's New Territories includes an 80 percent stake on the part of two PRC-owned firms in Hong Kong, the Sun Company and the Kui Kwing Company; a 15 percent stake from the Hong Kong Land Company Ltd., headed by Jardine Matheson's ex-chairman H. N. L. Keswick; and a 5 percent share from Jardine Matheson itself. (2)

The extraordinary leap in Peking's investment income in and through Hong Kong, and the haste in opening new operations in common with the British, including Peking's official entry into the Hong Kong gold market, mean one thing: Peking and London are jointly preparing a massive expansion of the opium and heroin traffic. Apparently, the market research that Dope,

Incorporated conducts in the United States shows that the push for decriminalization of drug use could open the U.S. market up like a clam.

In this section, we will show:

- (1) The content of Peking's activities in Hong Kong;
- (2) The documented record of Peking support for the drug traffic;
- (3) The activities of the grossly underestimated Chinese Communist Intelligence Service (CCIS). Peking intelligence and the expatriate, largely Ch'ao Chou Chinese networks who handle the drug traffic are the same entity. As we demonstrated in Section 3, the expatriate networks operate under financial control from London. In fact, the entire operation of these networks runs through Peking-London joint ventures.

Then, in the next section, we will report how the Royal Institute of International Affairs — which makes policy for the HongShang and the rest of the British banking establishment — negotiated the continuation of the old Anglo-Chinese drug traffic at the end of World War II.

## "Communist fat cats"

London's current view of Hong Kong's relationship to the mainland is rosy. "By its acceptance of the status quo, China shows that it is happy to keep the Kong Kong show on the road," wrote the London Financial Times. "The existence of the communist banks (in Hong Kong) is an indication of the continuing commitment, as the establishment of a machinery manufacturing plant on Tsing Yi island, one purpose of which is to modify mainland machinery which fails to meet the requirements of potential buyers in the region.

"This sort of commitment is understood by even the most nervous businessmen and helps remove the cloud of uncertainty which would otherwise start to gather. ... It may be the final irony of the Hong Kong paradox that to ensure Hong Kong's well-being, Peking will have to increase its own investment and participation in the colony." (3)

The same Financial Times report then specified what it meant by increased Peking participation in the colony, citing the exemplary case of a leading Hong Kong and Macao entrepreneur, Mr. Stanley Ho:

"It is a widely accepted allegation that Mr Ho and his partner, Mr Henry Fok, started their fortunes at the time of the Korean War running strategic materials into China. Certainly, both men became prominent during that era of smuggling. Indeed, Mr Ho seems to have weathered the 1967 riots (following the Cultural Revolution — ed.) without taking sides, and he even managed to bolster his friendship with Peking authorities. The relationship, and Mr Ho's wealth, can be traced to the award of China's sand monopoly in Hong Kong to his partnership with Mr Fok. Later, in 1962, Mr Ho was awarded the 25-year gambling franchise in Macao, where he had worked during World War II for a Japanese company. It is fair to say that the gambling franchise was a present from Peking."

The Financial Times could have cited other cases, like the Shaw Brothers (Anglicized Chinese name), Hong Kong's premiere producers of Kung Fu films for distribution throughout the world. Apart from their chain of theaters in Chinese communities across the world, the Shaw brothers control most of Hong Kong's prostitution. (4)

In any corner of the world but Hong Kong, Peking's relationship to the British elite — Peking-owned businessmen and British bankers rub shoulders in the Hong Kong Jockey Club and other havens of Hong Kong's elite — would be a source of international outrage.

Peking controls the Chinese General Chamber of Commerce in the colony, the same organization that organized riots in 1977 to protest the Independent Commission Against Corruption's "interference in the ancient Chinese practice" of bribing police officers. Its chairman, Dr. Wang Kwan-cheng, is a frequent visitor to the mainland, and has been identified in intelligence reports as a PRC political intelligence operative. Wang's position has been described as "the most prestigious in the colony, along with the British Governor-General." Among other things, Wang is among the wealthiest men in Hong Kong, with interests in the

retail trade, restaurants, real estate, and transportation. According to his entry in *Who's Who in Hong Kong*, Wang is "chairman of the Board of Directors of Magna Development Company, Chinese Arts and Crafts (Hong Kong)," and a member of the Hong Kong Jockey Club.

The vice-chairman of the Chinese Chamber of Commerce is C. H. Kao, who, like Macao gambling czar Stanley Ho, amassed great wealth by running strategic materials into China during the Korean War. Other known Peking agents include Ho Yin, chairman of the Macao Chamber of Commerce, and Macao's representative to the PRC's People's Congress, the organization that centralizes the political activities of Chinese expatriates through Peking (see below). Another is K. C. Jay (or Choi), formerly with the Bank of China in Peking, and currently a resident financial intelligence operative and currency specialist for the Bank of China in Hong Kong.

As Richard Deacon, the British author of *The Chinese Secret Service*, puts it: "What is abundantly clear is that Peking has a great reservoir of strength and talent among its supporters in Hong Kong. Its Secret Service activities there are low-key, as in many other centers, and have avoided clashes with the authorities. Indeed the only espionage scandals to break in the colony for several years past are attributable to other powers altogether, some of them at least manufactured by the Chinese to embarrass another nation. Perhaps the subtlest of these was when in 1973 a Chinese Intelligence agent tipped off the British about two K.G.B. agents, who had been taught Chinese at the University of Vladivostok, arriving in Hong Kong. In their possession were found documents containing valuable information about the Soviet espionage network in the Far East."

And as Deacon remarks, "There may even be some unofficial contacts on an intelligence level between the British and Chinese secret services. . . ." (5)

Deacon also reports that when China's narcotics smuggling operations were at their height, they were controlled by the Central External Liaison Department and the Ministry of Investigation. According to Deacon, the major secret agents were employed through the pro-Peking China Sailors' Union in

Hong Kong. The union was responsible for bringing in a large shipment of heroin discovered by the New York police in January 1973. "The International United Front operations, controlled by the CFLD, included drug-pushing with the aim of creating disruption and demoralization in carefully selected target areas indicated by the CFLD."

Deacon adds: "From Italian sources, diplomatic and otherwise, comes confirmation that the heroin traffic between Hong Kong and Europe is master-minded by Chinese secret agents. It is even suspected that there may have been undercover deals between the Chinese and the Mafia for distribution of the stuff."

Deacon identifies Keng Biao as the chief of the cited Central External Liaison Department. Whether Keng, in fact, coordinates Chinese drug-pushing cannot be independently corroborated at this time. Since the 1974 publication of Deacon's account, however, Keng was elevated to the Politburo, China's highest political body, in August 1977. In August 1978, he toured some of the prime marijuana-growing regions of the Caribbean, including Jamaica. Keng also stopped in the island of Malta, the old base of the drug-pushing Maltese order, for unexplained reasons, on his return home.

The renowned Mr. Stanley Ho, mentioned above, who as controller of Macao gambling is the proprietor of what law enforcement agencies consider the world's dirtiest financial operation, is a bona fide member of Hong Kong's social elite. Macao's relationship to Peking became a public scandal in 1974, when the revolutionary Portuguese government offered to cede the colony to PRC. The Peking government refused, because Macao is much more useful to Peking as a source of illicit foreign exchange earnings through opium and other forms of smuggling than as a people's commune. (6)

Only in rare instances have the links between the Hong Kong opium firms, British intelligence, and the Chinese Communist Intelligence Service come to public light. Where they have, the results put the best pulp thrillers to shame. One illustration is the story of the luckless Rennie family, Scots traders who sold their operation to Jardine Matheson in 1975. The Rennies are old Africa and Asia hands both in merchant ventures and the British

colonial service, with major operations in South Africa, through Rennie's Consolidated Holdings Ltd. (7) A relative, Sir John Rennie, resigned as head of Britain's foreign secret intelligence organization DI6. Normally the identity of the chief of DI6 — "M" in the James Bond movies — is one of Britain's best-guarded secrets. But Rennie's identity came to light after his son, Charles Tatham Ogilvy Rennie, was arrested for heroin trafficking in London on January 15, 1973. Official British press censorship, the infamous "D-notices" sent to newspaper editors, delayed press coverage of the blue-blooded drug bust until February 7, 1973, when London's Evening Standard reported that "the previously unnamed son of the head of DI6, who is facing drugs charges in London, is Charles Tatham Ogilvy Rennie."

Significantly, on the same day West Germany's Stern magazine blew Sir John Rennie's cover — in a dispatch from Hong Kong, the base of the Rennie family's business partners, Jardine Matheson. Stern magazine's information could have come either from Rennie family channels through Jardine Matheson, or through the Chinese Secret Service, or both. According to a Chinese Communist intelligence source cited by a British author, "In the case of Sir John Rennie I believe the Chinese were so cautious that they refused to accept their own suspicion (that Rennie was head of DI6) for a long time. Confirmation finally came when Sir John's son was arrested. They did not have far to look as his son's wife used Gerrard Street — almost a 100 percent Chinese quarter of London — as a rendezvous for obtaining Chinese heroin." The British author, Richard Deacon, commented, "I suspect that some of the leakages to the press of this information came from the Chinese, who have a very high regard for the British Secret Service."

Of course, nothing is proven; British author Deacon guards his version of this story with an elaborate description of the Chinese Communist Intelligence Service's purported method of discovering the chiefs of British intelligence branches through a careful reading of Who's Who. Nonetheless, we have the fact that the head of DI6 was a member of a family with intimate business ties to the core of the Hong Kong drug traffic; that his son dealt in narcotics through Peking intelligence agents in London; and that

the ultimate public announcement of his son's arrest came via Hong Kong sources, either British or Chinese.

More recent events provide a useful epilogue. On September 2, 1978, the London Economist reported, "One after another, top South African businessmen have been falling foul of the country's strict foreign exchange laws. This week's man in the spotlight was Mr Charles Fiddian Green, chief executive of the country's leading transport conglomerate, Rennies ... He was convicted of currency offenses on Aug. 29 and fined Rand 10,000.

"Last week Mr Gordon Rennie (Sir John's relative and Rennie Consolidated chairman) cut his throat and wrists after police came to talk to him. He went to hospital and was charged with currency offenses. Four other Rennies executives have been questioned by police; another has already been charged with currency smuggling; and two, including Mr Laurence Parry, have been sacked after apparently leaving the country." (8)

Also significant is the implication of Laurence Parry in the recent Rennies scandal; Parry was chief of Rennies Holiday Inn franchise in Swaziland and Lesotho, where rich South Africans, spend weekends gambling and watching fleshy floorshows that are prohibited in puritan South Africa. Rennies, since 1975 a 53 percent owned subsidiary of Jardine Matheson, has an almost classical dirty money profile, apart from its casino-gambling and fleshpot operations. Rennie's subsidiary in the security field, Fidelity Guards, is South Africa's leader in armored car services and payroll preparations, including its own computer facilities — tailor-made for the currency smuggling operations of which Rennies has just been accused. In addition, Rennies owns its own air and cargo shipping facilities, making it the leading transport group in South Africa. (9)

At the time of Rennies' merger with Jardine Matheson, South Africa's magazine Management wrote, "For both, it's a getting together of like people, like lifestyles, and remarkably similar management philosophies. Good solid Scots tradition abounds in both groups." Apart from its affinity to the leading Hong Kong dynasty, Rennies is part of the South African mining establishment. Two of its board members, the just-arrested Charles Fiddian-Green and Fred G. Wolmarans, were previously senior



officials of Consolidated Gold Fields of South Africa. Consolidated Gold, as quoted extensively in Section 4 above, wrote the book on currency smuggling — literally.

### THE MONEY LINKS

The PRC's financial intimacy with Hong Kong is a matter of public record. (Less public is the PRC's relationship to the Bangkok connection noted above, the seven-year residency of drug financier Chin Sophonpanich in Peking.)

The PRC's roughly \$3 billion in foreign exchange reserves are banked through HongShang, Standard and Chartered Bank, and other British banks through Hong Kong. In 1978 Peking began large purchases of gold through the Hong Kong gold market, according to the London Economist's Financial Report. (10)

The International Currency Review reported in September 1978: "China's increasingly open economic policies are likely to have a further impact on other Hong Kong balance-of-payments items . . . the Bank of China's announcement in early July that the 13 Communist-owned banks in Hong Kong would be able to purchase bullion, deventures and possibly equities, should generate further hard currency revenue for Hong Kong's financial community — and will also probably encourage a great deal of additional business. . . . The Chinese Government's initiative in this connection represents one of several financial liberalizing measures recently implemented by Peking. In June, for example, the Bank of China and the Vanying Bank issued guarantees for a real estate project in Tsuen Warn, located in the new territories." (11)

## Peking's opium weapon

Gold trading, banking, property, gambling — and roughly half of Peking's foreign trade. That is the bottom line of the Peking investment in Hong Kong. Since the early 1950s, it was the official view of American law enforcement agencies that Hong Kong was the main outlet for heroin grown in Red China. In 1961, just before the Kennedy Administration kicked him out, U.S. Narcotics

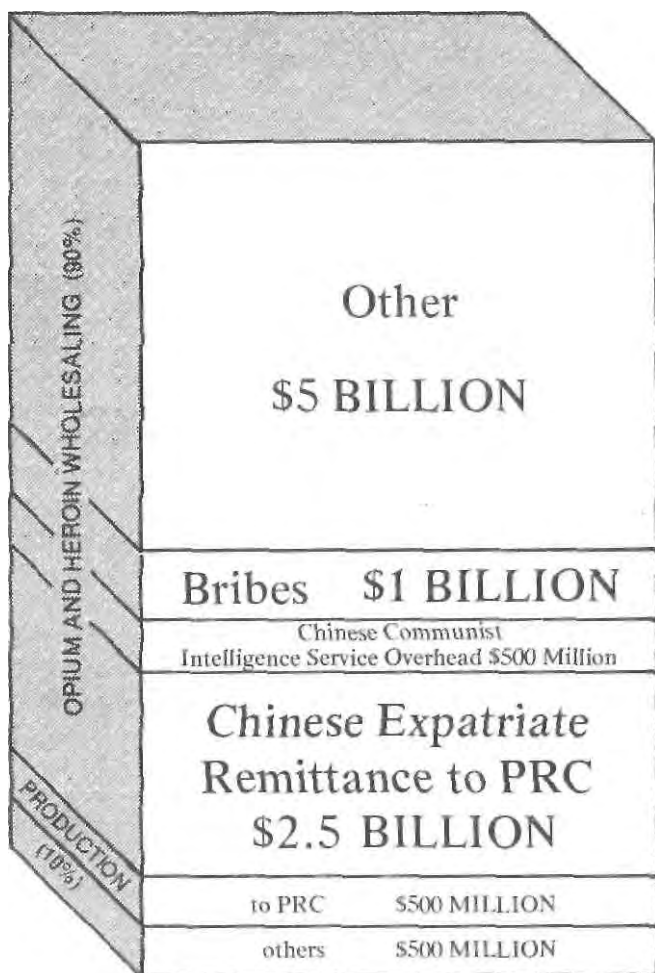


Figure  
Hong Kong and Peking: Sharing the Drug Take

5

Roughly \$10 billion annually passes into and out of Hong Kong as payments related to the production and wholesaling of illegal opium. Of this, something under half is paid to or at the disposal of the People's Republic of China. The involvement of the Chinese Communist Intelligence Service in the dope trade may be considered self-financing, at a minimum; the Chinese also receive something on the order of a \$.5 billion directly for opium-growing. By far the largest part of Peking's drug-take assumes the form of remittances to the mainland by overseas expatriate Chinese, the bulk of this \$2.5 billion accounted for by those Ch'ao Chou drug-financiers and others in the Southeast Asian orbit of Britain's Hongkong and Shanghai Bank.

Bureau Chief Harry Anslinger stated, "One primary outlet for the Red Chinese traffic has been Hong Kong." 02)

The police blotter's record of Red Chinese opium traffic through Hong Kong is comprehensive. Even the British and Hong Kong police have been forced, on occasion, to admit this is the case. Scotland Yard attributed a large quantity of heroin seized in a 1969 bust in London's West End to PRC shipments through Hong Kong. On Oct. 15, 1970, the chief of Hong Kong's notoriously corrupt narcotics bureau, Shih Tieh-pi, told a press conference that his force had confiscated 10,500 pounds of raw opium, 320 pounds of heroin, and 250 pounds of morphine, all of Red Chinese origin, during 1969. The quantities just cited compare dramatically with the largest-ever U.S. bust of heroin — the so-called French Connection bust involved a mere 100 kilograms. (13)

Without knowing the quality of the heroin seized, or the veracity of Mr. Shih Tieh-pi, comparisons are difficult. But if the 320 pounds of heroin seized so close to the original source were fairly pure, which is likely, and the rule of thumb applies that roughly one-tenth of illegal narcotics shipped are seized by police — then 3,200 pounds of heroin passed through Hong Kong in 1969. That is roughly what American narcotics addicts consumed in 1969.

The PRC's Hong Kong connection is not a matter of convenience, but the expression of a quarter-century-long policy agreement between the Peking government and the highest levels of the British oligarchy. The best-known source for the unexpurgated views of China's elite is Al Ahram editor Mohammed Heikal. Heikal reported the following 1965 conversation between Nasser and visiting PRC Prime Minister Chou En-lai:

"One of the most remarkable statements Chou En-lai made on that evening (June 23, 1965 — ed.) during our discussion of the demoralization of American soldiers was that: 'Some of them are trying opium and we are helping them. We are planting the best kinds of poppies especially for the American soldiers in Vietnam.' Nasser appeared to be somewhat disturbed, but Chou continued: 'We want them to maintain a large army in Vietnam that will serve us as a hostage, and we wish to demoralize the

troops. The effect of this demoralization on the United States will be much greater than anyone can imagine.' Nasser thought that Chou might be exaggerating somewhat, but Chou's concept was clear. He left no doubt that this was his course of action." (14)

The Soviet government newspaper *Izvestia* of Feb. 17, 1978 cited a Chou En-lai speech in Wuhan in 1952 elaborating the same policy. According to *Izvestia*, the Chinese Prime Minister said:

"We are trying in every way to support the creation of opium poppy plants. From the standpoint of the revolution, opium is one of the means of helping the revolutionary cause and must be used actively. If the question is approached from a class standpoint, opium is one of the most powerful sorts of weapons of the proletarian revolution. ... It is extremely important for us to export morphine and heroin in big quantities, use them to weaken the combat strength of the enemy and destroy the enemy without entering into war with him."

Whether or not the Soviet citation is accurate, the views expressed coincide with those reported by observers such as Heikal, who is far from pro-Soviet or anti-PRC, and conform to the practice of the PRC and its secret service, the CCIS.

Ironically, the British were quick to point an accusing finger at the PRC when it benefitted their policy, during the Korean War. In 1950, the British Mission to the United Nations made public a PRC offer to sell 500 tons of opium grown in Jehol (North China) and in storage in Canton, to a firm in Hong Kong. The British Mission said that the offer had been refused.

## FROM HONG KONG

Until the "China Card" strategic policy found favor in Washington under Kissinger, the official American view, among others, was that the PRC grew and exported large quantities of opium. Harry Anslinger, the first chief of the U.S. Federal Bureau of Narcotics, said in 1961: "Heroin made in Chinese factories out of poppies grown in China is smuggled into Hong Kong and onto freighters and planes to Malaysia, Macao, the Philippines, the Hawaiian Islands, the United States, or, going the other direction, India, Egypt, Africa, and Europe. A prime 'target area' in the United States was California. The Los Angeles

area alone probably received 40 percent of the smuggled contraband from China's heroin and morphine plants. The syndicate crowd does not object to dealing with the Reds as long as the profits are big in terms of dollars." (15)

U.S. investigators have only succeeded in putting heat on the Hong Kong authorities, provoking token busts of local drug operations. The last major scandal raked up by American authorities — immediately before the "opening to Peking" slammed the lid down on further action — came in 1973, when U.S. Congressman Lester Wolff visited Hong Kong on behalf of the House Select Committee on Drug Abuse. Citing the Nixon Administration's effective crackdown on Turkish heroin entering the U.S. East Coast through the so-called French Connection in Marseilles, Wolff charged, "All the narcotics entering the United States must be coming from somewhere else, the center of which is Hong Kong." (16)

The Japanese authorities held the same view. Susai Sugahara, head of the Japanese Narcotics Bureau, maintained that China was the largest opium producer in the world. Taking the export figure Sugahara cited, the Soviet commentator V. Ovchinnikov estimated in 1964 that one-third of PRC opium production went to Japan. According to the Japanese Narcotics Bureau, the PRC was the source of the major influx of opium into Japan that began in the early 1950s, producing an estimated 40,000 addicts as of 1953. (17)

In 1969, the Soviet monthly *Liternatura Gazyeta* estimated Chinese opium export earnings at \$500 to \$800 million per annum. (18) There is no way to confirm this report, and Soviet estimates (as well as Taiwanese) of the size of the PRC's opium crop unquestionably exaggerate in many instances. However, there is a strong element of credibility in the 1969 Soviet report: the \$500 to \$800 million is within the range of the \$1 billion estimate developed independently (see Section 2) for the primary wholesaling revenue of the Far Eastern opium traffic. The Soviet estimate corresponds closely to what may be readily deduced from hard law enforcement agency data.

Why has no action been taken against Hong Kong, when the evidence is so well known? There are two reasons. First, no

American law enforcement or intelligence agency has ever had operational access to Hong Kong. Hong Kong, as British territory, was strictly off limits to American investigators. To our direct knowledge, American intelligence never tries to circumvent this feature of the "special relationship" between Britain and the United States. Secondly, the courageous work of Harry Anslinger and other American narcotics officials did succeed in putting some heat on the rotten little island. The British seizures of narcotics cited earlier are an indirect result of the pressure applied, in the context of Nixon's war against drugs.

The more important reason is that, to a great extent, the actual refining of heroin — which moved lock, stock, and barrel to Hong Kong from Shanghai after the Communist takeover in 1949 — is no longer done in Hong Kong. Rather, Hong Kong's importance is overwhelmingly in the sphere of dirty money operations, and secondarily in transshipment of heroin. The great shift of the production-refining cycle from the Shanghai to Hong Kong route to the Golden Triangle (including substantial portions of China's Yunnan province) occurred in the context of the Vietnam War. Vietnam, which Britain successfully advised the United States to enter, provided a gigantic captive market with easy access from the Burmese-Thai-Laotian growing areas, some of which had already grown substantial quantities of opium during the British colonial period.

For whatever reason, American intelligence ignored field reports throughout the 1960s that indicated a gigantic step-up of Peking's narcotics trafficking. One of the most extraordinary of the stories that got lost in the intelligence bureaucracy involved an airfield in northern Laos, 75 miles south of the PRC border, built by PRC troops during the summer of 1964. According to American intelligence sources, the airfield appeared in Phong Sally province, between Luang Prabang, Thailand's religious capital, and the border of Red China's Yunnan province. Meo guerrillas operating in the area under American direction discovered the Chinese building the airstrip far into Laotian territory, and reported back in June 1964. However, the intelligence chain-of-command showed little interest in those reports. An enterprising mercenary pilot flying

a T-28 aircraft obtained clear-as-daylight reconnaissance photographs of the airfield, including shots of Chinese soldiers pushing wheelbarrows. The photographs were duly sent through channels, where they disappeared. American officers, however, believed that the airstrip was intended to link up with an asphalt highway the Chinese had been building from Yunnan province into northern Laos for some time. Initially, thinking among American intelligence officers centered on the possibility that the airstrip had been intended as a forward fighter base for PRC involvement in the Indochinese conflict. Only later, when no Chinese fighters appeared, did the truth emerge: the Chinese road and connected airstrip were built to ship opium out of Yunnan province.

American investigators, who have always viewed the drug traffic from the bottom levels upward, never "cracked" the controlling financial relationship that Hong Kong exercises over the traffic.

## The Ch'ao Chou connection

The key to the Far Eastern drug traffic — the link that ties the entire operational picture together — is the Chinese expatriate connection. As noted in Section 3, law enforcement investigators have known for years what the Ch'ao Chou Chinese networks were up to. But the law enforcement agencies never followed through the maze of financial connections: to do so would have violated standing American intelligence agreements with British intelligence.

Crucial clues to the inner operation of drug traffic — the joint operations of the Chinese Communist Intelligence Service (CCIS), British intelligence, and Chinese and British finance — have been gathering dust in police files for years. One such clue is the 1972 arrest of a Chinese Communist Party official in Djakarta, the Indonesian capital, in 1972. The Indonesian authorities arrested a Ch'ao Chou Chinese, complete with Chinese Communist Party card and other documentary evidence, in possession of 30 kilograms of heroin — worth between \$60 and \$150

million in terms of American street value, depending on the quality. The investigation, employing the combined efforts of Indonesian and American drug enforcement officials, showed that the purpose of the heroin imports was the financing of the Indonesian Communist Party (PKI) through the creation of a drug ring in Djakarta. (19)

An interview by a U.S. Labor Party investigator with a Malaysian intelligence source made in November 1978 is worth printing in full here for the insight it gives into this particular type of operation:

Source: It is definitely a fact that China distributes narcotics to its fraternal Communist parties in Southeast Asia as a means of raising funds for their activities. The most recent case is that of North Korea. Their diplomats have been kicked out of several European countries for smuggling and distributing heroin. Opium is not grown in North Korea. It is obviously given to them by the Chinese. In Singapore Communist agents were reported selling narcotics to American students at the American school for lunch money. Imagine, they were giving fixes out for 20 or 30 cents — just to get the kids hooked for their return to the U.S.

Question: Can you substantiate that?

Source: It's on the Singapore official record. There is more information at the local Kiwanis Club. They keep a file on narcotics. Also there was a DFA report written on how the PRC distributes narcotics through local party functionaries in the region. The report was never released but photostats exist.

Question: There is a lot of accumulated evidence that the Hongkong and Shanghai Bank is at the center of the entire Far Eastern narcotics trade.

Source: HongShang is the largest bank in the region and particularly in Singapore. China's biggest agent is Pang Hock-lim. He is instrumental in trafficking Chinese opium into India, Thailand, Singapore, and Malaysia.

Question: Has he been arrested?



Source: Sure. He's been arrested plenty of times but every time a fix is made and he is released.

Question: Who makes the fix?

Source: He's directly linked with the Hongkong and Shanghai Bank. That's a fact.

A handful of similar incidents are on record. At the same time, American policy busted a Filipino diplomat carrying seven pounds of pure Number Four white heroin in his country's diplomatic pouch. He had been followed from the Philippines to a New York City hotel room. His contact man, arrested with him, was a Ch'ao Chou Chinese.

One of the very few things that American intelligence knows about the CCIS is that the majority of its operatives are ethnic Ch'ao Chou. The Ch'ao Chou — as in the case of leading Bangkok banker Chen Sophonpanich — are also the leading element in the expatriate Chinese community involved in the drug traffic. (20)

Published Soviet material documents the spider's web of links between the Peking government and expatriate Chinese; the cited M. A. Andreyev's recent book, *Overseas Chinese Bourgeoisie — A Peking Tool in Southeast Asia*, is the most comprehensive Soviet source available. What the Soviets either do not know, or have not chosen to publish, is that joint Chinese expatriate-British financial operations in the world narcotics traffic hold the entire structure of Chinese foreign intelligence together.

The Chinese expatriate population's close ties to the Peking regime are well documented. According to a British author writing in 1965, two-thirds of the Chinese expatriates in Southeast Asia supported the Peking regime, and only one-third Taiwan. (21) American authors like A. Doak Barnett have drawn the same conclusion. (22) These impressive figures are the result of assiduous cultivation of such ties on the part of the Peking government.

Peking's insistence on the continuity of ties between the 12 million Chinese residing abroad and the Great Han motherland is a matter of public record, and achieved notoriety through such incidents as the recent border disputes with Vietnam.

Andreyev complains, "Under the 1954 Constitution the overseas Chinese have 30 representatives in the National People's Congress, the highest legislative organ in China. ... In 1953, representatives of overseas Chinese supporting the people's democratic system and actively opposing the Chiang Kai-shek regime met in Peking, where they had a preliminary discussion on the procedure for nominating deputies to the National People's Congress from the Overseas Chinese. . . . An enlarged sitting of the Overseas Chinese Affairs Committee, held in Peking in July 1954, was attended by 195 representatives of Chinese living in different countries. This meeting delegated 30 representatives of the overseas Chinese to the National People's Congress." (23) At that time, the Chairman of the Overseas Chinese Affairs Committee declared that "no one can rupture the bonds linking overseas Chinese with their homeland. China is the motherland of all overseas Chinese." Peking policy, as stated publicly, has not changed through to the present.

Andreyev documents a complex, tightly knit web of Peking connections to the expatriate Chinese, including foreign investment, trade, and, perhaps most important, expatriate remittances to relatives in the PRC. Andreyev writes, "By agreement with the Bank of China, two British banks — the Hong Kong and Shanghai Banking Corporation and the Chartered Bank — with their large network of branches in Southeast Asia — handle the remittances of overseas Chinese to China." (24)

The system of remittances from Chinese residents abroad to families on the mainland, and the more recent system of joint investments between the Peking regime and Chinese expatriates, are not only a major source of foreign exchange for China; they are the financial infrastructure of Chinese secret intelligence. The network of financial ties between Peking and the expatriates overlaps the networks that control the wholesale drug trade in the Golden Triangle.

Several examples make this conclusion inevitable. One is the cited fact that the biggest dope financier in the region, Bangkok Bank chief Chin Sophonpanich, fled a fraud charge in Thailand and spent the next seven years in Peking; since his return, Sophonpanich has kept up close contact with Peking. But the

most compelling evidence is the structure of the remittances transfers which — as noted — channel through the Hongkong and Shanghai Bank.

The cited Soviet commentator argues that the standard estimates of the flow of remittances back to China, which run to a few tens of millions of dollars a year, are grossly inadequate. "Most of these evaluations," Andreyev wrote, "are based on at least three assumptions. The first is that all the foreign exchange and commodities are sent via Hong Kong. Actually, this is not true. In particular, this assumption ignores Macao, through which pass considerable quantities of overseas Chinese capital. Moreover, in Southeast Asia and Hong Kong there are a number of official PRC agencies that have the possibility of secretly sending large sums of money directly to Peking. Considerable possibilities are opened for this by China's commercial dealings with Southeast Asian countries, and Peking, evidently, uses these possibilities." (25)

Andreyev continued, "Lastly, along the poorly controlled Sino-Burmese border there, probably, are loopholes through which considerable material values can drain to the PRC, at least from the countries in the Indochinese Peninsula. This is borne out by the flow of gold to China across that border." (26)

That report — matching the earlier-cited *Isvestia* estimate that the PRC's opium earnings were \$500 to \$800 million — is entirely credible, when matched to related evidence. This is in the general range of what the PRC's "take" should be if our earlier chain of evidence holds up. The Burmese border area is the ultimate destination of much of the gold that passes through the HongShang's gold market in Hong Kong, through the myriad of small Chinese banks. (With the 13 PRC-owned banks in Hong Kong now operating in the gold market, the PRC will be able to take an additional cut, in the form of trading commissions on gold that it will ultimately receive as payment for opium.)

Red China not only receives gold across the Yunnan province border in the Golden Triangle in return for opium going out, but indirectly intervenes among the competing opium warlord factions in Burma itself. During the early 1970s, the PRC armed the so-called White Flag Communist Party under the command

of Ping Chia-hsiang, supporting Ping's move to take over prime opium-growing areas in the neighborhood of the Suloween River. (27)

China is one primary factor in the opium growing regions; Britain is the other. Most of the Burmese opium-growing regions are subject to genial competition between the Maoist-controlled White Flag Communist Party and other armed gangs, and Self-Defense Forces under the control of British-trained and still British-influenced Burmese security forces. Anglo-Chinese cooperation on the Burmese border is one of the biggest scandals in the area.

## Forging the Hong Kong-Peking link

Until the Sino-Soviet split period, the ties that bound the expatriate Chinese to the mainland were the strongest of all: family. This link was expressed in the large-scale transmission of remittances back to families on the mainland. According to the limited available data, the largest volume of such remittances, for which special remittance transfer agencies had been created, was to the small city of Swatow on the northern Chinese coast; Swatow is the home city of the Ch'ao Chou Chinese. The Ch'ao Chou, seafaring and commercial people with a special dialect, evidently maintained the closest family links with the mainland. That is the background to the wholesale recruitment of expatriate Ch'ao Chou Chinese into Chinese secret intelligence during the postwar period. (28)

In the late 1950s, the volume of reported remittances dropped off sharply. Instead of paying remittances directly to relatives, expatriate Chinese invested heavily in both mainland China and in foreign joint ventures with the Peking government. The flow of remittances was capitalized in joint ventures with Peking, and relatives back home received dividends from these investments.

The volume of remittances is given in the following table:

1950	39.0	1958	15.6
1951	29.1	1959	9.1
1952	19.2	1960	8.6
1953	29.2	1961	8.4
1954	30.2	1962	8.4
1955	30.1	1963	8.4
1956	30.2	1964	8.4
1957	27.4		

(Based on published data for Thailand, Malaysia, and Singapore, projected to include the rest of Southeast Asia.)

(Source: Andreyev, *Overseas Chinese Bourgeoisie: A Peking Tool in Southeast Asia.*)

The point of decline of remittances (that is, legal remittances, as reported above) coincides with Peking's orientation to joint investments with expatriate Chinese. That policy goes back to 1951, when the South China Enterprise Company, the forerunner of the present Overseas Chinese Investment Corporation, sold 100,000 shares to Chinese businessmen in Hong Kong and Macao. However, until 1957, the attractions for such investors were limited; overseas Chinese investment could only find opportunities in agriculture, the least profitable sector of the economy.

But in 1957 new regulations came into effect that not only guaranteed a 12 percent dividend investment, against a normal 8 percent dividend in ordinary mixed companies. The Peking government also made provision for repatriation of part of the profits to the overseas Chinese investor.

By the mid-1950s, this capital was concentrated in the Overseas Chinese Industrial Construction Company and related companies, which merged into the Overseas Chinese Investment Corporation (OCIC) in 1955, with initial capitalization of \$50 million. The board of directors of the OCIC included leading Chinese businessmen resident in Southeast Asia. By 1966, there were 140 businesses under the OCIC aegis operating in China. (29)

By the mid-1960s, however, the policy of using the hard currency of expatriate Chinese to invest in China gave way to a much more efficient form of raising vitally needed foreign exchange. Peking took a stake in the expatriate Chinese community's expanding operations in drug-pushing and dirty money

operations, centering on the boomtown in Hong Kong. The result is the flagrant cohabitation between London and Peking noted in Section 4. (30)

#### THE \$2.5 BILLION TAKE

Despite the overwhelming weight of evidence showing Peking's integration into the Southeast Asian drug trade, there is no way to "prove" that the \$1.3 billion financial reflow into the PRC during 1977 estimated by Chase Manhattan and the projected \$2.5 billion flow during 1978 represent the revenues of the traffic. However, it can be demonstrated to the satisfaction of the reader that this estimate is entirely consistent with all the previous data.

By two independent types of estimate, our earlier data (Section 3) showed that the cash flow of the Far East drug trade broke down as follows:

Primary wholesaling of opium and heroin (Golden Triangle plus secondary PRC production)	\$1 billion
Secondary wholesaling of opiates to West (20 percent cash reflow of \$25 billion world opium/heroin market to Far East)	\$5 billion
Retail opiates consumption in Far East	\$3-4 billion

Assuming that the PRC's primary wholesaling profits are \$500 million, or half of the total — the lower range of apparently accurate Soviet estimates — then the PRC's secondary wholesaling profits would be in the ratio of 5 to 1 with respect to the first figure, or \$2.5 billion. That is the Chase Manhattan figure reported above. Since the PRC is undertaking major official investments in Hong Kong this year, it is fair to assume that it would repatriate illegal profits to be re-invested in legal enterprises to a greater extent than during 1977, when the reflow back to Peking was only \$1.3 billion.

Of course, the above calculations are hypothetical, but they do indicate that the \$2.5 billion net revenue suggested by the Chase Manhattan figure is well within the range of accuracy.

The same type of range can be obtained through an entirely different chain of reasoning. The Soviet economist Andreyev, using published sources of area governments, calculated that total expatriate Chinese capital flow into China amounted to \$1.66 billion in the years 1950-64 inclusive. Up through this period, the primary financial relationship between the PRC and expatriate Chinese was in the form of foreign investment inside China, through such vehicles as the Overseas Chinese Investment Corporation, as noted above. It is documented that after 1964, PRC policy shifted into a high-gear "Opium War in Reverse" posture, to use the phrase of British author Richard Deacon. At this time, Chou En-lai made his infamous confession to Nasser.

As noted, the financial relationship shifted into joint ventures in Southeast Asia between PRC-owned institutions and expatriate Chinese, with a heavy concentration in narcotics traffic and related activities.

Assume that the identical rate of expatriate Chinese financial support continued during the years 1965-78 in this form of investment, augmented only by a 10 percent inflation factor, highly conservative for the area. The aggregate investment during 1965-78 would amount to \$6.3 billion, in joint operations with the PRC. Assume a 40 percent annual profit margin on this investment, much lower than profits on the drug trade, but in the middle of the range of the 30-50 percent figure given above for smugglers' profits in the area. The annual income from this investment would be precisely \$2.5 billion.

The big move into Hong Kong transformed Red China from a mere producer of opium, into Britain's international partner in the distribution, and later the financing, of the opium trade in the Far East — if not elsewhere. (The Ch'ao Chou Chinese arrested in a New York hotel room with a Philippine diplomat and seven pounds of heroin carried the business card of the local New York Ch'ao Chou fraternal association.)

America's disastrous involvement in Vietnam gave the Mao regime the opportunity to make it big in the world of narcotics, and Peking jumped in — and into Hong Kong — with both feet. America paid the price of a skyrocketing rate of narcotics addiction. Nonetheless, the late 1960s were only a period of transition,

the fulfillment of a strategic design sketched out between Mao Tse-tung and the British old-line opium families in the early 1940s. That agreement, which united the highest level of British intelligence and finance with the Peking leadership, we turn to in the next section.



# 7

## How the Royal Institute of International Affairs Runs Drugs and Dirty Money

Now we will take the reader up through the chain of command of the world drug and dirty money business, to the top level of political control: to Chatham House, St. James Square, London, the headquarters of the Royal Institute of International Affairs. We have inspected the books of Drugs, Incorporated, met the operating personnel, visited its subsidiaries in Hong Kong, Bangkok, and Peking, as well as its farms and factories in the Golden Triangle, on the common border of Burma, Laos, Thailand, and the People's Republic of China. The Far East drug traffic emerges as a single business operation, a British-Chinese joint venture, in which Britain is the senior partner.

It is obvious, by now, that an operation of this scope could not exist without the political approval of the British government, nor without the gigantic supporting facilities of the world's offshore credit markets, the world's gold and diamonds trade, and "hands-on" management of the retail distribution, or organized crime aspects of the operation.

The next step is an introduction to the Board of Directors of Drugs, Incorporated, and an overview of their multifarious ties

to the Far East opium growing and wholesaling operation, the off-shore dirty money operations, gold and diamonds mining and distribution, the Canadian connection, the Zionist Lobby dirty money installations, and the top levels of British policy-making.

The Hongkong and Shanghai Bank is not an independent malefactor, but a special operation of the British oligarchy's top banks, specializing in the Far Eastern drug traffic. The Hongkong and Shanghai Bank's governing body, the London Committee, is the British oligarchy's delegated group assigned to the Far East drug traffic.

More specifically, it is an economic warfare operation. Two of its directors, J.H. Keswick — of the family that founded Jardine Matheson in 1828 to trade opium — and J.K. Swire — of the Swire family of hereditary opium traders — were senior officials in Britain's Ministry of Economic War during World War II. Another senior official of that Ministry is Sir Mark Turner, the chairman of Rio Tinto Zinc, the HongShang's partner in numerous fields, including gold operations. Turner is now a key figure in the Royal Institute of International Affairs, founded by Lord Milner, an earlier chairman of Rio Tinto Zinc.

What we will show here is that the Royal Institute of International Affairs (RIIA) and its leading personnel control not only the Far Eastern drug traffic but every important dirty money operation on the surface of the globe.

The next section will further document the British monarchy's control of the Canadian banks and corporations, the same installations responsible for channeling drugs into and illegal funds out of the United States. It demonstrates that the direct agency of control over Canada's huge financial warfare apparatus is the Canadian Institute of International Affairs (CIIA), a mock-up of Britain's RIIA, created by the RIIA in the first place. Included in the Canadian operation are the Bank of Nova Scotia's domination of Canada's gold market, Canadian banks' huge role in Caribbean Silver Triangle dirty money operations, and — most important — the direct links between the hard-core Far East drug wholesalers, and the Canadian institutions that have participated in the wholesale drug traffic on the North American continent since the closing days of Prohibition. Through the

Canadian outpost of the British monarchy, the drug traders close the circle between the Keswick family of Hong Kong, the founders of Jardine Matheson in 1828, and the Bronfman family, the immediate sponsors of the top levels of so-called organized crime in the United States.

From their base in the \$200 billion dirty money traffic, the institutions assembled in force on the leading committees of the RIIA dominate:

- 1) All of Britain's top commercial banks directly;
- 2) Both big British oil companies, British Petroleum and Royal Dutch Shell directly;
- 3) All the leading British merchant banks, directly or indirectly;
- 4) The world gold and diamonds trade;
- 5) Every leading old-line opium trading firm, including the P&O Steamship Company, Jardine Matheson, John Swire and Sons, and Charterhouse Japhet, directly.

## GOAL: REBUILD THE EMPIRE

Now that the command structure of the worldwide operation is evident, we are going to examine the content of the Royal Institute of International Affairs' subversive activities, following through the careers of some of its leading operatives — including Sir John Henry Keswick, member of the family which controls the Hongkong and Shanghai Bank, and from the old Jardine Matheson opium trading firm; and the current chairman of the Council of the RIIA, Lord Humphrey Trevelyan, member of the board of directors of HongShang's gold-smuggling subsidiary, the British Bank of the Middle East. These are the men who created the Peking Connection in its modern form.

According to the Charter of the RIIA published in 1920, the Royal Institute of International Affairs is "an unofficial and non-political body," whose object is "to advance the sciences of international politics, economics, and jurisprudence," to "provide and maintain means of information upon international questions," and "to promote the study and investigation of such questions." Few times in the history of the written word have so many lies appeared in so few lines.

However, a concise summary of the RIIA's purposes appears in its de facto founding document, Cecil Rhodes's 1877 bequest. Rhodes, who founded both the gold and diamond mining empire that still dominates world markets under the aegis of Anglo-American and De Beers, and also founded the dope-trading-Standard Bank (the African partner of the Asian-based Chartered Bank, since merged), is the starting point for the present form of the disease. Rhodes left his wealth to the Rhodes Trust, administered by Lord Milner. Milner's collection of Oxford trainees, called the "Milner Kindergarten," made up most of the 1916 Lloyd George government, and formed the RIIA at a meeting in Versailles on May 30, 1919.

Rhodes's 1877 will was:

To establish a trust, to and for the establishment and promotion and development of a secret society, the true aim and object whereof shall be the extension of British rule throughout the world, the perfecting of a system of emigration from the United Kingdom and the colonization by British subjects of all lands wherein the means of livelihood are attainable by energy, labor, and enterprise, and especially the occupation by British settlers of the entire continent of Africa, the Holy Land, the valley of the Euphrates, the islands of Cyprus and Candia, the whole of South America, the islands of the Pacific not heretofore possessed by Great Britain, the whole of the Malay Archipelago, the seaboard of China and Japan, the ultimate recovery of the United States of America as an integral part of the British Empire, the consolidation of the whole Empire, the inauguration of a system of colonial representation in the Imperial Parliament which may tend to weld together the disjointed members of the Empire, and finally, the foundation of so great a power as to hereafter render wars impossible and promote the best interests of humanity. (1) (emphasis added)

The secret society concept was passed on by Milner, Rhodes's successor as High Commissioner in South Africa, through

Milner's trainees Lionel Curtis (of the Round Table Group), and Lord Robert Cecil — whose family dates back to the Genoa-Amsterdam coup against Elizabethan humanism in 1601. Curtis and Cecil both participated in the May 1919 meeting at Versailles which founded the RIIA.

The Royal Institute for International Affairs is the secret society.

## 1949: The British-Peking deal

Let us backtrack, for a moment, to the point of origin of the London-Peking joint drug-running venture in the Far East, the wartime deal between the RIIA and Chou En-lai. Detailed records of the relevant years have recently been made available. In August 1978, the U.S. State Department released 1,300 pages of documents to the public dealing with American diplomacy in China at the time of the Maoist takeover. (2) From the British side, the RIIA in 1977 released its own records of its wartime and postwar operations group in the region, the Far East Committee — the real British Foreign Office. (3)

Both sets of documents yield the same interpretation: the creation of the People's Republic of China included an alliance between the British dope-runners and the Chinese dope-runners. This was negotiated from the British side by Sir John Henry Keswick and from the Chinese side by Chou En-lai. The Chinese team also prominently included top figures in the opium trade, such as the Bank of China's Chi Ch'ao-ting, Shanghai Commercial Bank's K.P. Chen (who also headed the Chinese wing of the Institute for Pacific Relations), and elements of the so-called Green Gangs. The Green Gangs, which could be called the Chinese mafia, ran the opium trade not only in the Far East but through the far-flung networks of the Chinese expatriate community.

From both the British and the Chinese side, the alliance was explicitly against the United States. The Chinese knew it, and said so, the British knew it, and said so, and American diplomats cabled home that the United States had been shafted. (4)

When the top representatives of Britain's RIIA began soundings in the Chinese Communist stronghold of Yen-an and at Chou En-lai's Chungking legation during the World War II period, they had reasons dating back a century to expect results. China lost the opium wars because such a large section of officialdom had been corrupted through opium dependency.

But the credit for the re-creation of the alliance between Britain and the modern equivalent of the Triad gangs must go to Sir John Henry Keswick, the RIIA's man-on-the-spot at the British Embassy in Chungking during the crucial period of World War II. It is known that Keswick was in regular contact with Chou En-lai in his capacity as a prominent businessman and through his attachment to the British embassy in Chungking. Chou was in Chungking from 1937 through the 1940s. (5)

Keswick, of the hereditary drug-trading family that founded and still controls Jardine Matheson, also represented the RIIA and its sub-branch, the Institute for Pacific Relations, to the United States. (6) Sir John Henry is still Britain's number one man for China policy, Chairman of Britain's China Association, Vice-President of the Sino-British Trade Council, and a member of the Great Britain-China Committee. (His predecessor at the China Association from 1951-55 was John Kidston Swire, of the old opium-trading Swire family, who still sits on the London Committee of the HongShang.)

Two pieces of eyewitness testimony from Mao Tse-tung's wartime hideout in China's northern Yen-an province bear comparison. The first is the report by Peter Vladimirov, the Soviet liaison to Mao's headquarters in Yen-an during 1941-45. According to the Soviet-published Vladimirov Diaries, the Chinese Communist Party operating in Yen-an grew opium for profit, not only for medicinal uses. Opium had been a major cash crop for Yen-an before Mao's arrival; Vladimirov claimed that Mao continued the practice. The Soviet representative also suspected the CPC's chairman's close contact with American visitors connected to the Institute for Pacific Relations. (7)

A second account appeared in the January 1978 issue of *International Affairs*, the journal Of the RIIA:

Victor Farmer, who was a director of Imperial Chemical Industries (China) and who in 1944 had recently returned from a visit to the Far East (stated): "I have met some (Chinese) Communists and their ideas are very open-minded. If you could get rid of this ultra-nationalist clique in the saddle at present in Chungking, and many Government officials are extremely broad-minded, I think that the way would be open for a compromise with the Communists; and an effective compromise." (8)

The view Farmer expressed on behalf of the RIIA's Far Eastern Committee had already surfaced in the United States through the committee's American branch, the Institute for Pacific Relations (IPR), the institution that produced the pro-Maoist group in the U.S. State Department centered around John Stuart Service and John Carter Vincent. Although the IPR included American citizens and was funded through the Rockefeller and Carnegie Foundations, it functioned exclusively as a branch of the RIIA and British policy-making. The IPR's two most prominent general secretaries, Edward Carter and William Holland, had extensive British pedigrees. Carter, whose reign as IPR chief lasted until 1946, was a leader of the international YMCA, while his successor Holland was a citizen of New Zealand until 1943 and a member of London's Royal Institute.

The dead giveaway on the IPR's British character is the organization's move to Canada subsequent to the 1950 McCarran Committee investigation, which mistook pro-British treason for pro-Communist treason. With hearty British cheers, the disgraced Institute for Pacific Relations moved to Canada.

Britain's support for the IPR was further expressed by the chairman of the RIIA's Far Eastern Group, Sir Andrew McFadyean (who in 1947 became the chairman of S.G. Warburg's, the merchant bank). In a 1952 letter he wrote: "The fact that I have criticized certain activities and certain officers of the IPR entitles me to say with greater emphasis, firstly that it would have been a useless body if it had not represented a wide

variety of political views, and secondly that throughout my acquaintance with the Institute its governing body, while respecting the rights of free expression, has never encouraged or countenanced subversive views." (9)

Once in Canada, the IPR came under the official sponsorship of the Canadian Institute of International Affairs, the local RIIA subsidiary, and its chairman — now "honorary Chairman for Life" — Walter Lockhart Gordon. During the last 30 years, Gordon has been the most consistent North American apologist for Maoist China. Gordon currently has direct personal ties to Canada's "old China hands," including Dr. Paul Lin, Chester Ronning, and James Endicott. All three served as advisors to Chinese Premier Chou En-lai; Paul Lin's official duties as an aide to Chou terminated only in 1965. Lin, in turn, is a power in the expatriate Chinese community in Vancouver, the most important transshipment point for opium entering the United States.

The ties run back the other way across the Pacific as well. Gordon sponsored the initial founding of the Chinese People's Institute of Foreign Affairs in China, an official Red Chinese organization that currently maintains links with the Canadian Institute of International Affairs. Chester Ronning has been the Chancellor of the University of York in Canada; Walter Lockhart Gordon arranged funding for the Norman Bethune School at that university under Ronning's supervision, the most overtly pro-Maoist institution on the North American continent. That is the pedigree of the British-created, British-defended, and still British-run Institute for Pacific Relations. (10)

### SQUEEZE

### PLAY

According to the RIIA's official account cited above, the RIIA-IPR's function at the close of World War II was to propose the John Service-John Keswick policy of fostering Maoism as the "alternative" to Britain's shrill insistence on her colonial rights in the area. Prime Minister Churchill still balked at the self-determination provisions of the Atlantic Charter, namely that Britain give up its Southeast Asian colonies. Anti-British feeling ran so high in the United States, the International Affairs study points out, that Henry Luce's Life magazine



urged the British people "to stop fighting for the British Empire and fight for victory ... if you cling to the Empire at the expense of a United Nations victory you will lose the war because you will lose us." A poll taken in 1942 revealed that 56 percent of Americans questioned agreed that the British could rightly be described as "oppressors . . . because of the unfair advantage . . . they have taken of their colonial possessions."

The RIIA and the IPR's "alternative" posture was a retreat under fire from an imperial position in the Far East to an alliance with the Great Han chauvinists of the Communist Party of China. Any suggestion that an actual policy difference intervened between the "hidebound reactionary" Winston Churchill and the openly pro-Maoist Victor Farmer of the RIIA's Far Eastern Group, is made silly by the role of Jardine Matheson's John Henry Keswick.

Keswick was a prominent figure in the Shanghai International Settlements, of which his brother, Sir William Johnston Keswick, was chairman throughout the 1930s and until 1949. Britain had owned a chunk of the city of Shanghai by the treaty that ended the Second Opium War. The status of the Shanghai International Settlement was one of the major policy conflicts between Roosevelt and Churchill, since it represented a foreign colonial intrusion in an allied nation. Britain's concern for Shanghai may also have been motivated by the fact that it was the world's center for refining opium into heroin. Keswick and the refineries both picked up and moved to Hong Kong in 1949.

In January 1945, pro-Maoist Victor Farmer and John Henry Keswick (with Andrew McFadyean) together led Britain's delegation to the Institute for Pacific Relations's most important conference at Hot Springs, W. Va. Ten British officials went along in tow with the RIIA officials. The British delegation presented a softer front to the Americans than the Churchill government was then willing to officially concede. RIIA documents show that the queer combination of Chinese Communist Party apologist Victor Farmer and old-line opium trader John Keswick did the trick of mollifying the Americans.

"The general atmosphere here (at Hot Springs — ed.) is very much better than (at the last Institute for Pacific Relations con-

ference at) Mont Tremblant. . . . There is much less disposition to twist British tails just for the fun of seeing how the animal reacts," McFadyean wrote back to the RIIA in relief. (11) American delegates included Treasury official Harry Dexter White, responsible for selling to the United States John Maynard Keynes's British blueprint for the International Monetary Fund.

Not until Mao's army marched into Shanghai in 1949 did the Americans realize what they were in for. The new mayor of Shanghai, Chen Yi, summoned John Keswick for secret talks, the State Department documents reveal, virtually as soon as the mayor arrived in the city. After a lengthy round of talks, Keswick departed and called on the American consul-general. The stunned diplomat later telexed back to Washington that Keswick "made a statement that he did not expect Americans to fare well under the Communist regime, but did not indicate whether this opinion was formed as a result of the conversation with the mayor." Keswick was either threatening the United States or relaying what the Chinese had told him, the consul-general wrote. "He would hardly have invented this as a bluff to frighten away American competitors," the American concluded optimistically. (12)

How ingenuous that evaluation was became clear within days. Behind the backs of the Americans, the British negotiated a deal to keep Hong Kong under London's control, and opened up confidential lines of communications between the mainland and Hong Kong. In wires to Washington, American diplomats accused the British of tearing up the standing Anglo-American agreement that all decisions respecting the Communist government would be made in close consultations. "The Communists are obviously trying to play off the British against us and seem to have succeeded somewhat," one American official wrote. (13)

The British added insult to injury by maintaining an official pro-Maoist propaganda campaign, which began far before the Communists took over. British officials gave awards to leading members of the CCP, even while maintaining "official" diplomatic relations with Chiang Kai-shek, and gave lavish public receptions for dissident elements of the Kuomintang, such as the widow of Sun Yat-sen, the Chinese nationalist leader who

died in 1925. (Sun's wife is currently an official of the PRC government.) Shortly before the Communist takeover, one journalist wrote: "The British have a reputation for very smart diplomacy in Asia. Part of this comes from their ability to spot key groups and get on the right side of them. It is generally believed by observers that the British now figure the intellectual left wing to be one of the groups that will gain rather than lose strength in the political changes of the next few years, and are preparing for this eventuality." (14)

American intelligence dispatches from 1947 reprinted in the State Department release wrote: "It is significant to note that shortly after the Communist takeover of the key city of Shanghai, the Maoists halted all anti-British propaganda." (15)

## Creation of the Hong Kong drug nexus

Under the public cover of Anglo-Chinese mutual seduction, and before the horrified eyes of American observers, the British and Maoists created the financial infrastructure of what would later underwrite the Far East narcotics traffic. Keswick's opening of channels between Peking and Hong Kong permitted a division of the Shanghai banking families between mainland China and Hong Kong; this 1947 division founded the expatriate Chinese connection between Peking and London. (Apparently, other expatriate networks, like the Thai bankers who date back to the 1930s, were consolidated in the same fashion, although the same degree of documentation from the period is not yet available.)

The Senate investigation of the Institute for Pacific Relations revealed indirectly the role of the Royal Institute of International Affairs in the creation of the drug-financing networks. The McCarran Committee made public some of the correspondence of IPR General Secretary William Holland. Holland, before his ascendancy as IPR chief in 1946, took over the China stations of the American Office of War Information, an organization closely tied to the wartime predecessor of the Central Intelligence Agency, the Office of Strategic Services. Holland was in frequent

touch with the head of the RIIA in London, which as noted above, had created Holland's IPR in the first place.

In one of the letters available from the 1950-51 McCarran proceedings, Holland informed the RIIA that a top Chinese Communist banking official "may turn out to be one of the best friends we have." (16) The official in question, Chi Ch'ao-ting, was a top officer in the Nationalist Bank of China, until the Maoist victory. At that moment, he shifted allegiance to the PRC Bank of China. Moreover, Chi's defection was preceded by that of a whole faction within the Nationalist Bank, which chose to "make a deal" with the Communists rather than flee to Taiwan. This faction, according to the 1949 State Department papers, made arrangements to communicate with Chinese IPR leader and Shanghai banker K.P. Chen, who had left Shanghai for Hong Kong, even after-the Communist takeover. (17)

It should be added that, as a matter of public record, most of the Nationalist Bank of China's cash flow during the period of Chi's service came from the opium traffic, which the Chiang Kai-shek government continued throughout the war years. Chi's shift of allegiance was merely the poppy stem's bending with the wind of change.

Chi's defection to Mao's Bank of China began an illustrious career, during which he rose to a high position in the bank and participated in international conferences for the PRC as well. As noted, the Bank of China's financial connections to the West are through Hong Kong, its reserves were and still are held with the Hongkong and Shanghai Bank and the Standard and Chartered Bank, its remittances payments conducted through the same banks, and so forth. Chi's move — under the approving eyes of Holland — only typified what went on in the Shanghai banking community at large. In the same dispatch to the RIIA cited above, Holland reported on his contacts with leading Shanghai bankers, citing the case of Chinese Shanghai Commercial Bank chief K.P. Chen. Chen fled to Hong Kong shortly before the Communists took over, Holland reported, adding, "Impossible as it now seems, I have an idea Chen will later go to Shanghai." (18)

An entire section of the Shanghai bankers resisted pressure by the departing Nationalist forces to transplant their operations to

Taiwan. As in the case cited by Holland, they preferred to hedge their bets between the British and the People's Republic of China. At the lower levels of the narcotics traffic, the notorious Green Gangs, the footsoldiers of the traffic, broke en masse with the Kuomintang forces, and moved into the Communist camp. Neatly and speedily, the entire postwar opium apparatus had been redeployed between Shanghai and Hong Kong.

One of Holland's close associates during the period was the Canadian representative in Chungking, Chester Ronning — still prominent in the Canadian connection to the London-Peking drug apparatus. Utterly enamored of the Maoists, Ronning met almost weekly with Chou En-lai's chief deputy, Wang Ping-nan, during his 1945-47 tour of duty. (19)

Ronning's relationship with Wang Ping-nan has a special importance, which we will indicate momentarily. Ronning went on to act as midwife in the Institute for Pacific Relations's 1950 re-birth in Canada after the scandal.

Both the State Department and the RIIA releases make fools of those Americans who thought that the Institute for Pacific Relations had "betrayed" American ally Chiang Kai-shek to the red menace. The Kuomintang, a gang that couldn't shoot straight, was merely losing the battle for Far Eastern opium. (There has been substantial documentation, not immediately relevant to the present chain of evidence, that remnants of the Kuomintang army in Burma continued to grow opium for a quarter-century after the Communist victory, and that some of their friends in the China Lobby, e.g. AirAmerica, transported it for them.) In fact, the United States was sold down the Pearl River by our British "allies," in combination with the snickering Chinese. America's youth paid the terrible price of this deception.

At the outset of the Korean War, the public amity between Great Britain and China was reduced — for purposes of public consumption. However, the leading individuals who created the Peking Connection continued to hold all the important strings, and maintained the full continuity of the narcotics traffic. Despite the public hostilities, the PRC operated freely on Hong Kong's illicit gold exchanges, and present-day luminaries like

Stanley Ho (see Section 5) made their fortunes smuggling strategic goods into China from Hong Kong.

### THE EMERGENCE OF THE "CHINA CARD"

In 1951, Lord Humphrey Trevelyan took his post as British Ambassador to China, the same man who today sits on the board of the British Bank of the Middle East. Public contacts between Lord Trevelyan and the Peking regime were necessarily low-key, by the dictates of what even the British and Chinese consider public decency. To cover their tracks the British claim that Trevelyan did not meet Premier Chou En-lai during the first two years of his stay in Peking, although they do admit that Trevelyan's fellow diplomat John Henry Keswick had had regular access to Chou during the early 1940s in Chungking.

However, Trevelyan's stay in Peking was not without great importance. Trevelyan set up the beginnings of the so-called American opening to China, laying the basis for the "China Card." His partner in this maneuver was Chester Ronning's old Maoist contact, Wang Ping-nan. By this time, Chou En-lai's old deputy of the Chungking days was the PRC's Ambassador to Poland. Trevelyan set up the first American diplomatic contacts with the People's Republic of China — through China's Embassy in Poland — during the mid-1950s. America's contact man with the Peking government was Ambassador Wang Ping-nan.

Trevelyan's further career is remarkable. After a brief stay in West Germany, he went on to become Britain's Ambassador to Egypt during the Suez Crisis — the British-French-Israeli invasion of Egypt that wrecked President Eisenhower's world development plan, the Atoms for Peace program. After a tour at the British Foreign Office, he was Britain's Ambassador to the Soviet Union during 1962-65, during the British-inspired Cuban missile crisis. Currently, he sits on the board of directors of British Petroleum, along with John Keswick's brother Sir William Johnston Keswick, and various other members of the boards of the HongShang and the RIIA council.

Lord Trevelyan completed the circle by taking the chairmanship of the Council of the RIIA, while keeping an active hand

in the opium business, through the British Bank of the Middle East.

Direct experience in the drug trade is apparently a standard qualification for chairmen of the Council of the RIIA. When Trevelyan, Keswick, Holland, and Ronning were young men setting up the Peking Connection during World War II, the chairman of the RIIA Council was Waldorf Astor. Astor's great-grandfather, John Jacob Astor, was a British agent-of-influence in the first years of the American republic; according to his biographer, J. J. Astor was the first American to get in on the drug trade alongside the British East India Company, starting in 1816.

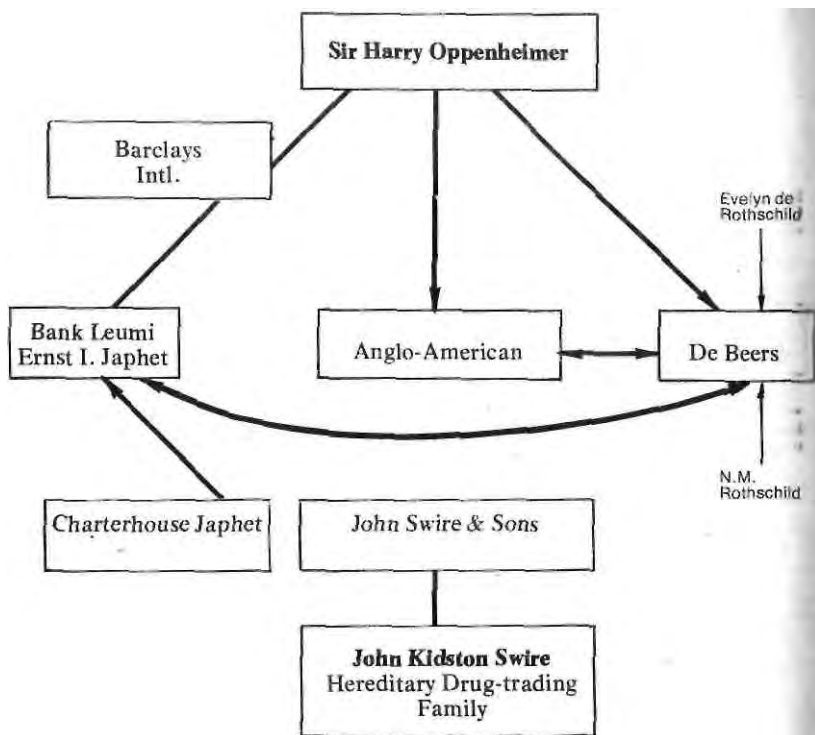
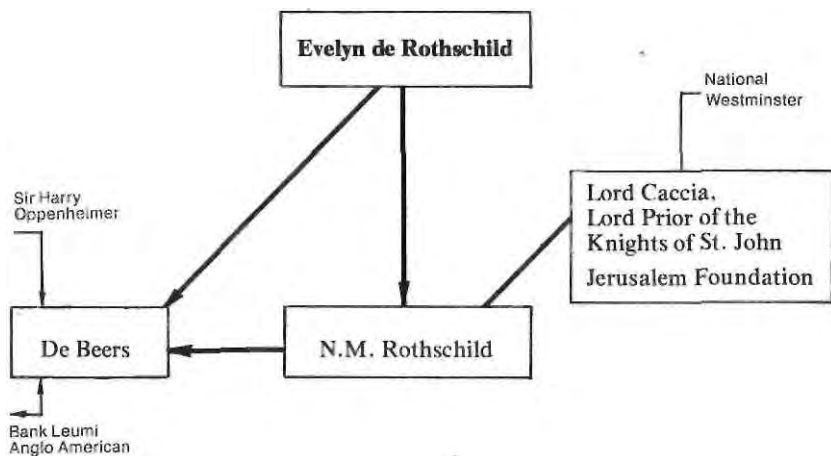


Figure 6

London's Royal Institute for International Affairs—  
Drugs and Dirty Money

The RIIA is not composed of the most influential people in Great Britain - the inner circle of the British monarchy and the orders of nobility — but rather brings together the chief operating officers of the British monarchy's policies in various fields. Its leading members include the following: Lord Humphrey Trevelyan: Son of the British historian George Trevelyan; Chairman of the Council of the RIIA; Chairman of the Trustees of the British Museum; Chairman of the Committee for the Tutankhamen Exhibit; Economic and Financial Advisor, United Kingdom High Commission for West Germany, 1951-53; Ambassador to Egypt, 1955-56; Undersecretary at the United Nations, 1958; Ambassador to Iraq, 1958-61; Deputy Undersecretary of State of the Foreign Office, 1962; Ambassador to the Soviet Union, 1962-65; High Commissioner in South Arabia, 1967. Director: British Petroleum Co., 1968-75; British Bank of the Middle East (100 percent owned by Hongkong and Shanghai Bank); General Electric Company Ltd., 1965-75; President, Council of Foreign Bondholders. Sir (Roland) Mark (Cunliffe) Turner: Council RIIA, 1949-50; Chairman Rio

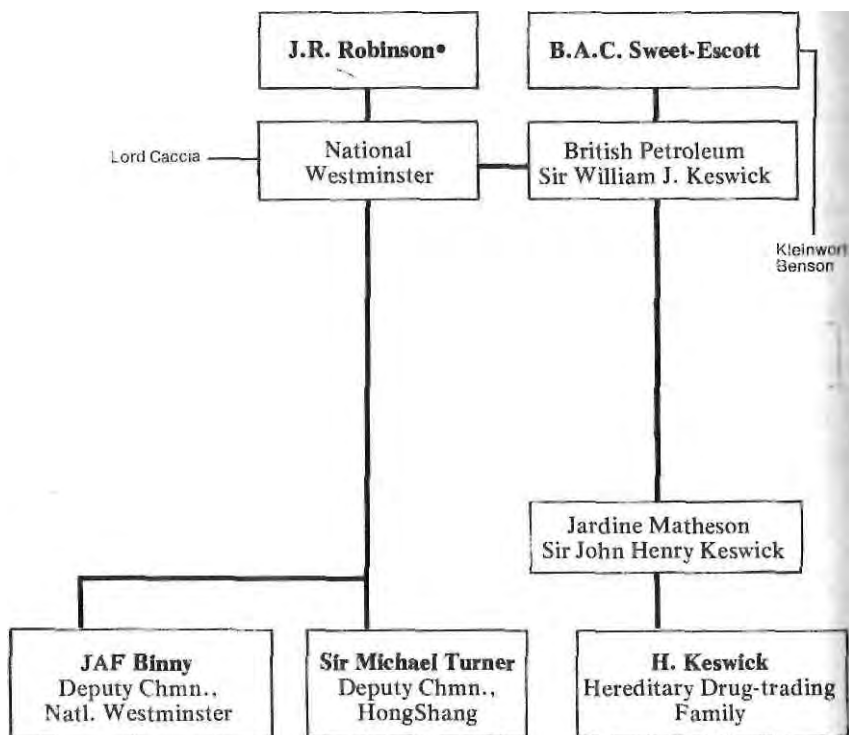




Tinto Zinc; Deputy Chairman of the merchant bank Kleinwort Benson Ltd.; Chairman, Bank of America International Ltd. (London), 1971-; Director, National Cash Register; Toronto Dominion Bank; Midland and International Banks Ltd.; formerly with Samuel Montagu and Co.; Ministry of Economic Warfare, 1939-44; Undersecretary, Control Office for Germany and Austria, 1945-57.

Sir Frank Roberts: Member of RIIA Council; Advisory Director Unilever; Advisor on International Affairs to Lloyds; British Embassy in Paris, 1932-35; Cairo, 1935-37; Charge d'Affaires to Czech Government, 1943; Deputy High Commissioner to India, 1949-51; Ambassador to Yugoslavia, 1954-57; Representative to North Atlantic Council, 1957-60; Ambassador to the Soviet Union, 1960-62 (preceding RIIA Chairman Lord Humphrey Trevelyan); Ambassador to West Germany, 1963-68; Vice-President, German Chamber of Commerce in the United Kingdom, 1974-.

Sir Richard Powell: Member of RIIA Council; Deputy Chairman, Permanent Committee on Invisible Exports, 1968-; Deputy Secretary Ministry of Defense, 1950-56; Permanent Secretary, Board of Trade, 1960-68; President, Institute for Fiscal Studies.



Carmichael C.P. Pocock: Member of Council, RIIA; Managing Director, Royal Dutch Shell, 1970-; joined Shell in 1946,

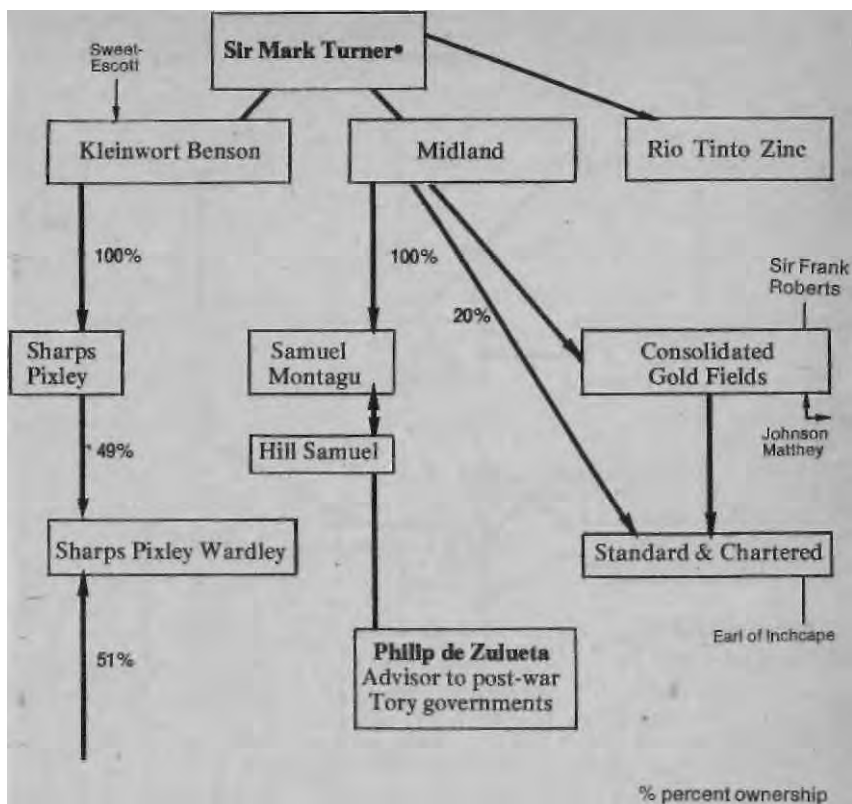
Sir Arthur Knight Member, RIIA Council; Chairman of Courtauld's since 1975; Director, Rolls Royce, 1971-; Member, Finance Committee of RIIA, 1971-; Court of Governors, London School of Economics, 1971-.

Andrew Knight: Member, RIIA Council; Editor of the London Economist, 1974-; J. Henry Schroeder and Wagg Co., 1962-; Investors Chronicle, 1964.

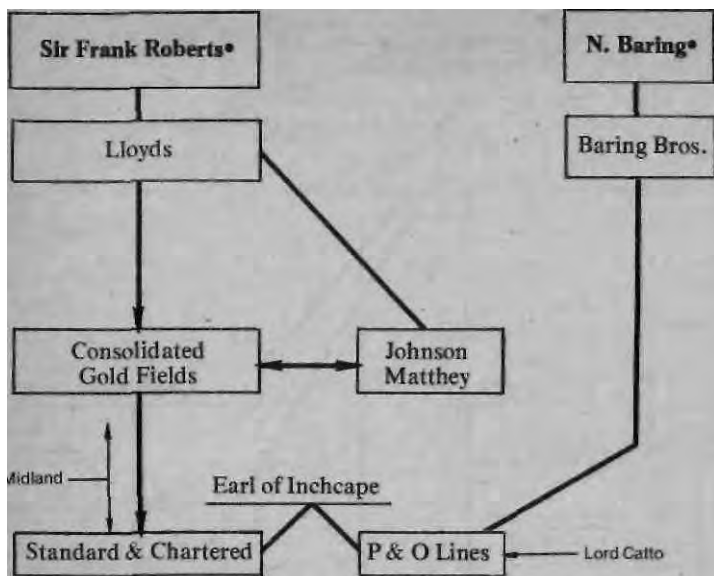
Ronald Grierson: Economist staffwriter, 1947-8; S.G. Warburg, 1948-58, executive director 1958-69; Chairman Orion Bank, 1971-75; Director, General Electric Ltd; member Trilateral Commission.

William Malpas Clarke: RIIA Council; Director, Committee on Invisible Exports since 1966; Director, Grindlays Bank Ltd.; Euromoney Publications; Brandt's Ltd.; The London Times, 1962-66.

Baron Shawcross: Member, RIIA Council; Director, Shell Transport and Trading Co., 1961-72; Morgan et Cie., International, 1966-; Times Newspapers Ltd., 1967-74; Hawker Siddeley Group Ltd., 1968-; Chairman, International Advisory Council, Morgan Guaranty Trust Co. of New York until 1978.

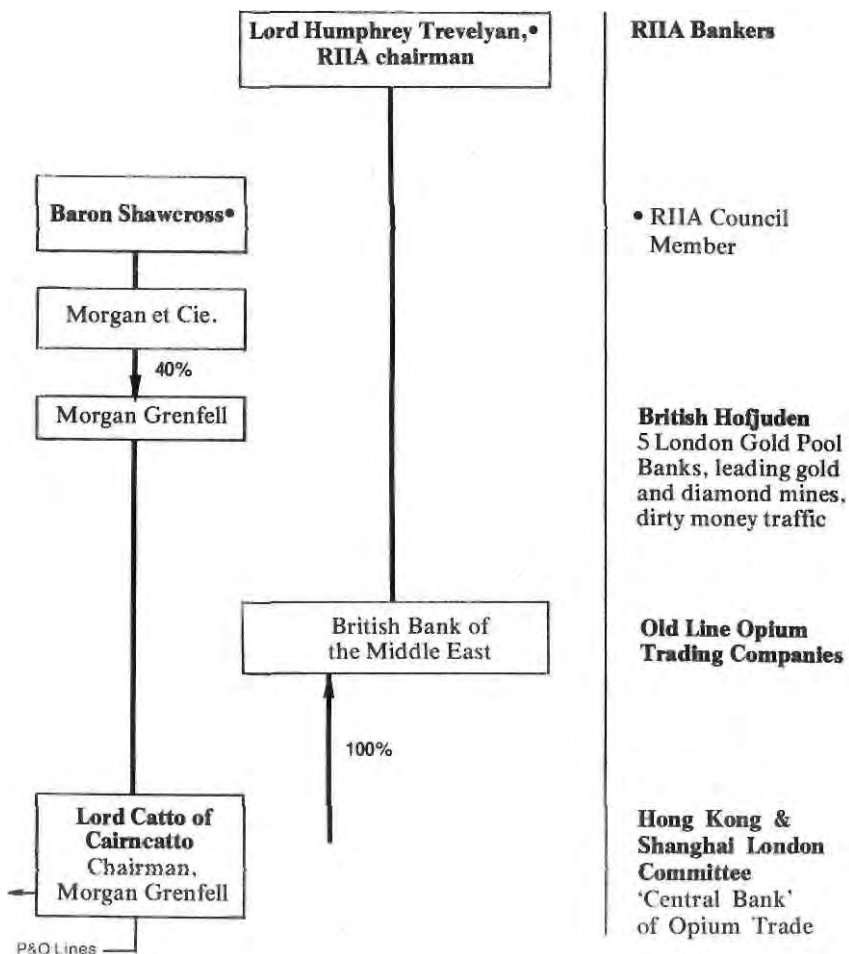


B.A.C. Sweet Escott: Finance Committee, RIIA; Group Finance Co-ordinator, BP Co. Ltd., 1962-; Economic and Overseas Committees, Confederation of British Industries; Kleinwort Committee on Invisible Exports. J.R. Robinson: Finance Committee, RIIA; director, Eagle Star Insurance; former director, National Westminster; Finance Director, Rio Tinto Zinc. J.P.G. Wathen: Finance Committee, RIIA; General Manager, Barclays Bank Dominion, Colonial and Overseas; former manager, Lloyds Bank Ltd. Again, Chart 2 shows that the leading members of the London Committee of the Hongkong and Shanghai Bank have extremely close ties to the core RIIA group. The chart also shows that these links continuously intersect two major groups whose activities are key to drug wholesaling and large-scale laundering of dirty money. The first is the old-line British opium traders, including the Peninsular and Oriental Steamship Lines, Jardine Matheson, John Swire and Sons, and Charterhouse Japhet. The second is the tightly knit complex of world gold and diamonds production and sales.



Lord Catto of Cairncatto is the chairman of the board of the prominent merchant bank Morgan Grenfell & Co., which has close ties of ownership to Morgan et Cie. International, one of Lord Shawcross's companies. Philip de Zulueta, the private parliamentary secretary to Harold MacMillan when the latter was Prime Minister, advisor to every Tory Prime Minister since the war, spent most of his career with the leading British merchant bank Hill Samuel, also the largest merchant bank in South Africa; he is thus in close association with Sir Mark Turner, Rio Tinto Zinc's Chairman, and a director of Midland, and International Banks, Samuel Montagu (owned by the same families as Hill Samuel), and various gold and other mining ventures in which Zulueta has interests.

Henry Neville Lindley Keswick, of the family that controls Jardine Matheson, now occupies the traditional Jardine Matheson seat on the London Committee of the HongShang, a tradition that goes back to 1864. His father, Sir William Johnston Keswick, is also a director of British Petroleum, along with Lord Trevelyan, Chairman of RIIA, and B.A.C. Sweet-Escott of the RIIA Finance Committee. The elder Keswick is also the representative of drug wholesaling operations in the Far East with respect to drug retailing operations in Canada: he is a director of the Hudson Bay Company (see Section 8). H.N.L. Keswick's uncle David Johnston Keswick has been with



Samuel Montagu, a core RIIA bank, since 1930, as well as with the family firms. Another uncle, Sir John Henry Keswick, is the top man for British corporate policy towards China. He is Chairman of the China Association, Vice-President of the Sino-British Trade Council, and a member of the Great Britain-China Committee.

John Kidston Swire, the Swire family's representative on the HongShang board, goes back to World War II with RIIA Council Member Sir Mark Turner and various other leading lights of the RIIA, when they all worked on the Ministry of Economic Warfare. Sir John Henry Keswick is another Ministry of Economics War veteran.

J.A.F. Binny and R.J. Dent are both directors of the National Westminster Bank, one of the core RIIA institutions.

Sir Michael Turner, who retired as Chairman of the Hongkong and Shanghai Bank in 1952 but remains on the London Committee, is still a director of National Westminster Bank.

# Canada: North America's Hong Kong

Most heroin entering North America comes through Canada. This is the estimate of authoritative law enforcement sources — despite the misleading publicity about Mexican supply routes, which are in any case mostly transshipment channels for Far Eastern dope.

Virtually everything the reader now knows about the British Crown Colony of Hong Kong applies to the British Dominion north of the American border. The idea that Canada is a nation — in the sense that Americans understand the term — is the product of low-grade, if persistent, public relations efforts. Politically and financially, Canada is run straight from the top by the British monarchy, starting with the Governor-General whom the Queen appoints, the Privy Council, and including the core group of Knights of St. John of Jerusalem who control the bulk of Canadian business.

Canada's role in the drug flow to the U.S. is not much different from its role during Prohibition — as we will document in Part III of this report. Canada transships most of the heroin entering the American market, because it was created and maintained as a

British Dominion on the northern flank of the United States to carry out precisely such operations.

Despite the British monarchy's iron grip over the highest levels of Canadian public life, there are a few individuals well placed in Canada, including in its law enforcement services, who look to America rather than Britain as a model for Canada's future. At great risk to themselves, they have fought a long rearguard action against criminal activities that enjoy near official sanction. The American public has heard little of their efforts because of Canada's Official Secrets Act, modeled on Great Britain's own 1911 Official Secrets Act. That legislation prevents any publication or public discussion of what the government — that is, the British-appointed Governor-General — chooses to regard as a state secret. Given Canada's make-up, most drug-running, dirty money laundering, and organized crime activity, including political terrorism, fall into that category. Anyone who writes about this in Canada will go to jail immediately and could, under the law, be executed. But without the help of Canadian citizens with access to official sources, willing to take the risk, this report could not have been written.

## Three crucial cases

Before examining the structure of Canada's drug and dirty money operations, a few leading examples will suffice to indicate the nature of the problem. One is the personage of Walter Lockhart Gordon, Honorary Chairman for Life of the Canadian Institute of International Affairs (CIIA), the Canadian offshoot of the British Royal Institute of International Affairs. The CIIA receives most of its funding directly from the office of the Governor-General. Every Canadian Secretary of State for External Affairs since the CIIA's founding has been a CIIA member. The CIIA is also the official sponsor of the Institute for Pacific Relations, the nexus of Britain's Peking Connection (Sections 6 and 7), after public scandal forced the Institute for Pacific Relations to leave the United States after 1947.

### 1. WALTER LOCKHART GORDON

Walter Lockhart Gordon's fingerprints show up throughout this section. Apart from his lifetime post at the top of the CIA, he is a past chairman of the Privy Council, the Governor-General's select operations group for running Canadian politics (1967-68); he was finance minister from 1963 to 1965; and is a director of some of the dirtiest corporate operations in Canada.

But most important, he founded Clarkson and Gordon, the accountants firm that audits three of the five Canadian chartered banks: Bank of Nova Scotia (of which Gordon is a director), Toronto Dominion Bank, and Canadian Imperial Bank. Gordon's partner, Stephen Clarkson, is also a leading member of the Canadian Institute of International Affairs, as well as a leading sponsor of the Institute for Pacific Relations. Through a network of accountants dispersed through these banks, Clarkson and Gordon functions as a command center for the most extensive dirty money laundering operation in the world, stretching from the heroin receiving points in the Pacific Northwest, to the branch operations of the Canadian banks in the Caribbean Silver Triangle.

Gordon, as we shall detail below, is also Canada's chief contact-man for the Peking Connection (see Section 7).

### 2. THE EAGLE STAR INSURANCE COMPANY

A second example is the group of British "spooks" who run the Eagle Star Insurance Company, which heads the accompanying chart of the Canadian drug networks. Eagle Star is one of Britain's largest financial corporations, and a joint operation between Britain's top financial firms, including Barclays Bank, Lloyds, Hill Samuel, and N.M. Rothschild & Sons.

Eagle Star, as the chart shows, runs the Bronfman family operation from the top, through its control of English Properties, and English Properties' control of the "Bronfman" Trizec Corporations.

The Bronfmans are what is known in intelligence jargon as "cutouts," or controlled front-men. What is significant here is Eagle Star's special qualifications for controlling the Bronfman family's corporate group, which, in turn, has been the seat of



Canada's rum- and dope-running, dirty money, and terrorist operations since Prohibition.

Eagle Star's management is British intelligence, by an arrangement that traces back to World War II.

Two Eagle Star directors, Sir Kenneth Strong and Sir Kenneth Keith, were Number One and Number Two men, respectively, in British intelligence immediately after World War II — when the Bronfman family created its "legitimate" front Trizec with Eagle Star funding. (1) Both men have kept up their close ties to Britain's foreign intelligence service, MI6. Part III of this report tells the story of the Bronfman family's dope-running, organized crime, and terrorist activities. What is crucial to keep in mind here is that the men who own the Bronfmans sit in the highest councils of British covert operations.

In a pattern that has already become familiar, Sir Kenneth Keith moves between the secret world of British intelligence and the opium politics of the Far East. Keith is also a leading member of the Canadian Institute of International Affairs. Among other leading corporate positions, including a directorship at Canada's Bank of Nova Scotia, he is the chairman of the Hill Samuel group of companies, one of the leading British merchant banks, and an incarnation of the old Samuel banking family's interests.

Sitting with Sir Kenneth Keith on the board of directors of Hill Samuel is the Hongkong and Shanghai Bank's Sir Philip de Zulueta, member of the HongShang's controlling "London Committee." Zulueta was private parliamentary secretary to a string of British Conservative prime ministers while Sir Kenneth Strong was completing his career at British intelligence.

Eagle Star is a sterling example of Canada's role in drugs because it contains every element of the drug machine: the Bronfman family, which has spokes tying into the Zionist dirty money and terrorist apparatus; the top levels of British intelligence; and the core of the opium trade, the HongShang itself.

### 3. THE HUDSON'S BAY COMPANY

The Hudson's Bay Company is the appropriate starting point for a look inside the operations of Canada's drug machine. During

Prohibition, it was the Bronfman's Seagram's partner in the "Pure Drug Company," the main source of bootleg liquor during Canada's dry period.

The Hudson's Bay is also a front for the grand old families of the opium trade, the Inchcape and Keswick families, the proprietors, respectively, of the Peninsular and Orient Steamship Company, the world's (and the Far East's) largest shipping fleets, and Jardine Matheson, Hong Kong's dominant trading company. The 2nd Earl of Inchcape, whose son still runs the P&O lines, wrote the notorious 1923 Inchcape report advocating the continuation of opium production in the Far East to maintain British revenues. The number two man today at the P&O, Vice-Chairman of the board Eric Drake, sits on the board of Hudson's Bay.

Jardine Matheson's Sir William Johnston Keswick — the chairman of the Shanghai Municipal Settlements during the 1930s peak of Shanghai heroin traffic — only recently retired as a director of the Hudson's Bay Company.

William Johnston Keswick and Sir Eric Drake also sit together on the board of British Petroleum, next to Lord Humphrey Trevelyan, the chairman of the council of the Royal Institute of International Affairs and Britain's charge d'affaires in Peking during the critical years 1951-53.

Drake is also a director of the top British merchant bank Kleinwort Benson. As noted in Section 7, Kleinwort Benson's wholly-owned subsidiary Sharps Pixley Ward jointly runs the Hong Kong gold market with the Hongkong and Shanghai Bank, a crucial support operation for the Far East drug traffic. Drake's fellow director, the deputy chairman of Kleinwort Benson, is Sir Mark Turner, of Rio Tinto Zinc. Rio Tinto Zinc, in turn, was founded by Matheson family money in the 1840s, and Mathesons ran Rio Tinto Zinc until the turn of the century. To complete the circle, William Johnston Keswick sits on the board of Jardine Matheson, along with several directors of Sir Eric Drake's P&O Steamship Company.

In other words, the Hudson's Bay Company, the most "Canadian" of companies, is run from the top by a combination of Far Eastern old-line drug traffickers and their closest London contacts.

The Hong Kong opium connection goes even further. Sir William Keswick's son, Henry Neville Lindley Keswick, a board member of the Hongkong and Shanghai Bank, is also a director of MacMillan Bloedel, one of Canada's biggest pulp and paper operations, closely tied to the Macmillan publishing interests. The Macmillans took off as a Canadian family when Harold Macmillan—later British prime minister at the time of the Kennedy Administration — married the daughter of Canada's Governor-General, the Queen's personal representative. The Governor-General in question was the 9th Duke of Devonshire, Victor C.W. Cavendish, who held office 1916-20 at the outset of Prohibition; his son-in-law Harold Macmillan became his chief assistant in Canada in 1919, the same year that Arnold Rothstein set up the big liquor delivery contacts in England. The Governor-General's son William helped Joe Kennedy make-contacts among big English distilleries. The MacMillan interests started with Prohibition. Today, through their association with William Johnston Keswick — who personally ran the Shanghai heroin traffic during the 1930s — they are up to their necks in the drug trade.

Canadian Pacific Ltd., the biggest company in Canada, holds a controlling interest in MacMillan Bloedel.

## Dope goes in, dirty money goes out

According to high-level Canadian intelligence sources, most of the heroin that reaches North America is flown in through Canadian Pacific Air. There is no "smoking gun" evidence to substantiate this, but a November 1978 trial in Vancouver reveals evidence that Canadian Pacific was involved in the smuggling of 22 pounds of cocaine from Hong Kong.

Figure 7 neatly traces the flow of heroin and dirty money in Canada: the drugs come in through Canadian Pacific and then are conduited to points south of the border. Heavily interlocked with the Western Canada connection is the Bronfman group, whose corporate center is Seagram, and whose financial center is the Trizec group. Since Prohibition, Seagram has handled the flow of smuggling into the United States (see Part III).

Both Seagram (and its old Prohibition rum-running partner, Hudson's Bay) are interlocked through a maze of contacts with all five of the big Canadian chartered banks: the Bank of Montreal, the Royal Bank of Canada, the Bank of Nova Scotia, the Toronto Dominion Bank, and the Canada Imperial Bank. Thus the dirty money gleaned from the drug trade is conduited through these banks to points further south: the banks' offshore centers in the Caribbean and from there the money makes its whirlpool round of worldwide laundering.

Canada's Big Five dominate all Canadian banking as fiercely as the British Big Four — Barclays, National Westminster, Lloyds, and Midlands — do in Britain. Unlike the United States, which has a relatively broadly spread base of regional banking, Canadian and British banking is run from the top by the institutions named. The Canadian institutions are barely distinguishable in their current practice from the British buccaneers who plied the Caribbean during the 17th century. Along with the British banks, which have numerous joint ventures with the Canadians — e.g., the Royal Bank operates in the Bahamas under the "RoyWest" cover in a joint venture with National Westminster — they are the core of the dirty money operations offshore of the United States.

The Royal Bank of Canada has 21 affiliates in offshore banking and subsidiaries — more than any other bank in the world save Barclays Bank. Royal Bank's "RoyWest" connection to the National Westminster Bank ties it closely to the Hongkong and Shanghai bank itself; HongShang has two mutual directors with National Westminster, J.A.F. Binny and R.D. Dent. Dent is the descendant of the old-line British opium trading family that founded Lancelot Dent about the same time that Jardine Matheson appeared.

Among other links, the Royal Bank of Canada is tied to the Bronfmans through Neil Phillips — son of Lazarus Phillips, the Bronfman family's lawyer and most trusted aide from Prohibition until the 1950s.

#### CANADA'S SILVER TRIANGLE

Royal Bank has the dirtiest reputation of any bank in the Caribbean. According to authoritative diplomatic sources, the Royal

Bank of Canada directly ordered the Guyanese government to plant marijuana in order to raise foreign exchange income. In 1976, when Guyana went flat broke and applied to the International Monetary Fund for emergency assistance, Royal Bank of Canada officials met with senior members of the Guyana government. The Royal Bank insisted that Guyana transform its economy into a "cash crop" producer before it, or any other major bank, would issue loans. The Guyanese were desperate and did what they were told. Northwest Guyana, in consequence, has become a major producer of marijuana for the North American market.

Second in the Caribbean offshore centers to the Royal Bank is the Bank of Nova Scotia — Walter Lockhart Gordon's bank. A top Bronfman aide and figure in Canadian Zionist organizations, R.D. Wolfe, sits both on the board of Seagram and the Bank of Nova Scotia. Scotiabank has 13 branches in offshore centers, as well as innumerable joint ventures and similar fronts.

Banking and diplomatic sources agree that the Bank of Nova Scotia is the number one handler of flight capital out of Caribbean countries, especially troubled countries such as Jamaica. Apart from funds fleeing difficult political situations, much, if not most, of all illegal money transfers out of the Caribbean. A large portion of Jamaican illegal funds are conduited through a Jamaican national currently employed in a senior position at the big New York brokerage house Drexel Burnham Lambert. (2)

Scotiabank's Jamaican trade is a particularly filthy business, since it involves shifting funds earned in Jamaica by local criminals into safe havens. The cash side of the Jamaican operations, according to law enforcement sources, is done more with arms than drugs. Planes fly into Jamaica with loads of small arms, and take loads of marijuana out. The retail side in Jamaica is arms selling. The ultimate cash proceeds of the selling chain are then laundered through Scotiabank.

The Bank of Nova Scotia's role in Canadian gold markets, through its own trading operations and its interlock with the chairmain of the second-largest Canadian gold trader, Noranda Mines, was already noted in Section 4. According to informed New York gold market sources, a substantial proportion of Nova

Scotia's flight capital operations are accomplished through illegal purchases of gold by Jamaican and other nationals. The same sources add that Dr. Henry Jarecki's Mocatta Metals in New York (see Section 4 again) has a substantial share of Caribbean dirty money traffic.

## The Canada-Peking connection

The starting point of any examination of Canadian drug traffic is Walter Lockhart Gordon's close relationship to Canadian Pacific. Gordon is Canada's grand old man, Honorary Chairman of the Canadian Institute of International Affairs for Life, top leader of the ruling Liberal Party, finance minister after 1963, and chief foreign policy-maker in Canada for the past 30 years.

Gordon sits on the board of directors of Canadian Pacific and the Bank of Nova Scotia; his accounting firm, Clarkson and Gordon, handles the accounts of the Bank of Nova Scotia, Toronto Dominion Bank, and Canadian Imperial Bank.

### THE GO BETWEEN

Authoritative Canadian intelligence sources further identify Gordon as the controller of Canada's three leading China specialists, Paul Lin, James Endicott, and Chester Ronning, whom we met earlier in Section 7. The association goes back in the cases of Endicott and Ronning to the end of World War II, when the two returned from close collaboration with Chou En-lai, to become the core of the transplanted Institute for Pacific Relations in Canada.

Based in Montreal, Paul Lin is the go-between for Walter Gordon and the Vancouver, British Columbia drug wholesaling and transshipment operations. Lin's most important contact is the former president of drug-shipping Canadian Pacific, John D. Gilmer. Gilmer is a Knight of St. John of Jerusalem, and the patron of People's Republic of China fronts on Canada's West Coast. Paul Lin is his personal attorney.

In turn, Gilmer is the attorney for two open representatives of the People's Republic of China in Vancouver, B.C., the Chinese Commercial Corporation and the Chinese Cultural Center. The

Chinese Cultural Center in Vancouver receives funding from another Knight of St. John, John Robert Nicholson, a close associate of Gilmer.

Both Gilmer and Nicholson are major funders of the Simon Fraser University in Vancouver, which became the home of the Institute for Pacific Relations after it was driven out of the United States. Paul Lin's brother, Dr. Tsing Lin, is currently employed at the Institute for Pacific Relations. All these men have been working together since the Institute for Pacific Relations, as detailed in Section 7, served as the Royal Institute of International Affairs bridgehead into the United States, and Chester Ronning was meeting weekly with Wang Ping-nan and occasionally with Chou En-lai in Chungking.

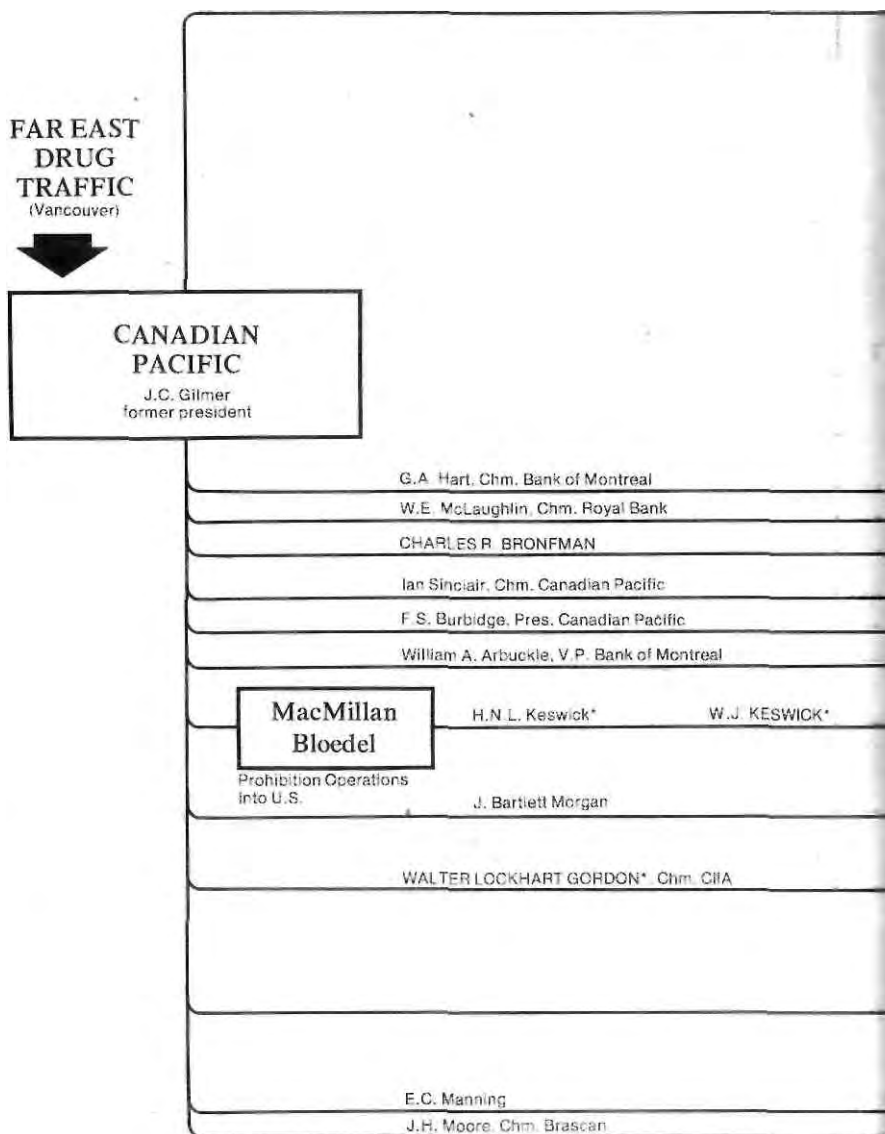
Endicott, now an old man, created the leading North American center of explicit Maoism, the Norman Bethune Institute at York University. Walter Gordon was the university's chancellor for many years. Gordon personally arranged the funding of the Bethune Institute, named after a Canadian doctor who served in Mao's armies.

Gordon's accounting firm Clarkson and Gordon tries to keep its nose clean of overt involvement in the drug trade. But one of its escapades caused a public scandal in Canada five years ago. Clarkson and Gordon put together the funding for Rochdale College in Toronto, an experimental university that quickly became the most drug-ridden college campus in Canada. By the early 1970s Rochdale College had become not only a main center of illegal drugs consumption, but also the retail distribution point for marijuana and hallucinogens throughout most of Eastern Canada. When the story inevitably became headline material in the early 1970s, Canadian police were compelled to shut it down, as a matter of public decency. Clarkson and Gordon, who had created Rochdale College, sadly took the drug-ridden remnant back, acting as its receiver and liquidator.

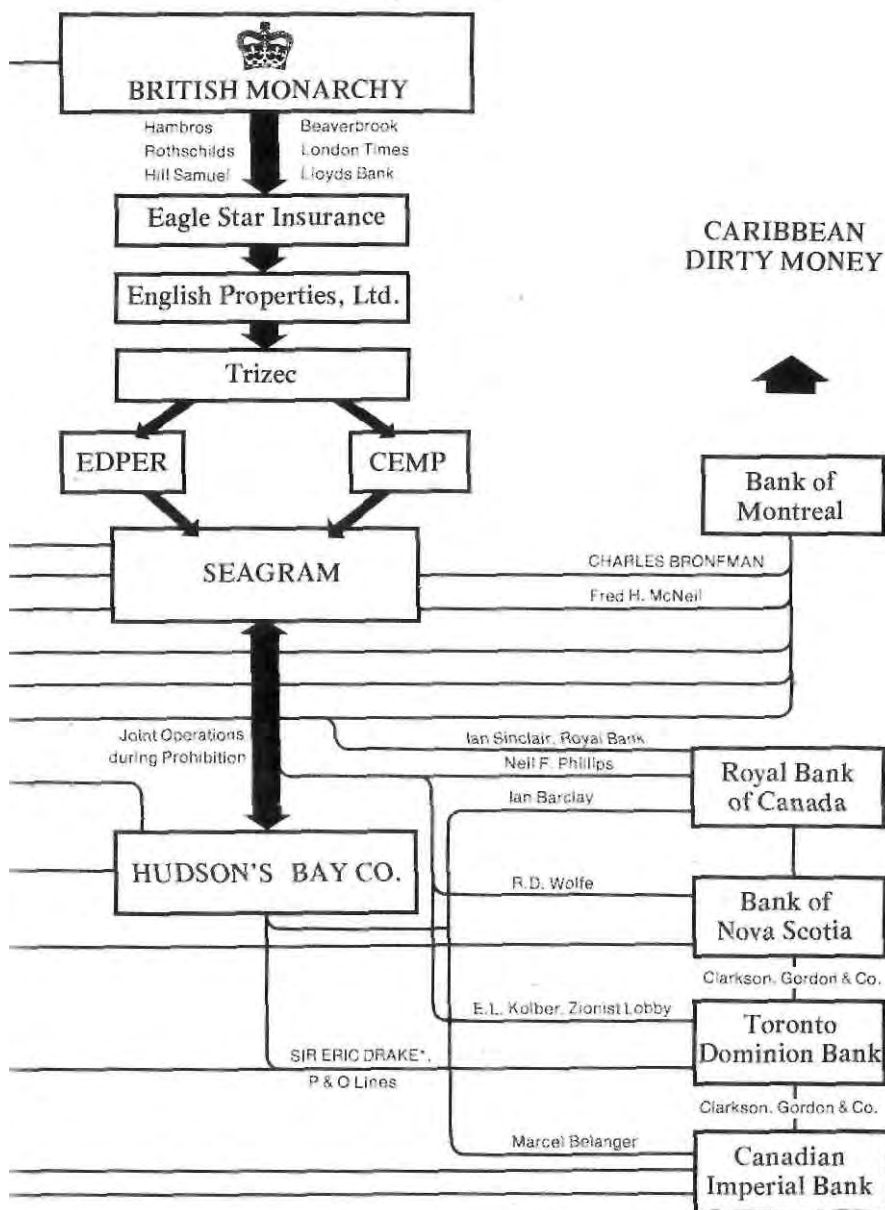
## Who rules Canada

But the company to which Gordon is closest is Canadian Pacific, which controls most of the dominion's air, sea, and land

Figure 7  
Drug-Running—The Canadian Connection







transportation. It has directors in virtually every industry it does not control. As the accompanying chart demonstrates, it is interlocked three ways with Seagram Ltd., the core of the Bronfman group. The chart only shows a handful of Canadian Pacific's links to the five major chartered banks; no fewer than 14 of its directors sit on their boards.

Most important, Canadian Pacific features no fewer than four members of the Most Venerable Order of St. John of Jerusalem on its board. They include the aforementioned J.C. Gilmer of Vancouver, the angel for every Maoist front in the city; W.E. McLaughlin, the chairman of the board of the aforementioned Royal Bank of Canada; and J.P.W. Ostiguy.

Only one other corporation in the world, Barclays Bank, contains more members of the British monarchy's most elite order among its directors. That fact alone establishes Canadian Pacific's vassalhood before the feudal rights of the British monarchy. In terms of Canada's real chain of command, it is an honor for Charles R. Bronfman to sit on Canadian Pacific's board.

The concentration of Knights of Malta on the council of the Canadian Pacific Company also clears up — from a professional intelligence standpoint — why that company has special access to the Far Eastern narcotics traffic. The chairman of the board of the HongKong and Shanghai Bank from 1962 to 1970 was Sir Michael Turner. When the current chairman, M.G. Sandberg, replaced Turner in 1970, he remained on the "London Committee" of the HongShang (as well as the board of directors of National Westminster Bank, with two of his fellow HongShang directors). Sandberg was created Commander of St. John, a high-ranking position in the elite order, in 1960. He is still the chairman of the Council of St. John — the organization of the Knights — in Hong Kong. The company most under the direction of the Knights of Malta in Canada deals directly with the chief of their order in Hong Kong.

At the other end of the Canadian drug cycle, the dirty money banks, each of the five Canadian dirty money banks has at least one Knight of Malta on its board. The Canadian Imperial Bank and the Bank of Nova Scotia are directed by three Knights of Malta each.

In addition, there is no question that the Canadian Institute of International Affairs — which has picked every Canadian foreign minister of this century — is not a Canadian institution, but the local branch of the British monarchy's most elite chivalric order. Canada's former Governor-General, Roland Michener, and current chairman of the CIIA is also a Knight of St. John. A board member of the Italian branch of the Order of St. John, the Order of St. Lazarus, is a member of the CIIA's board, Henry R. Jackman. J.J. Jodrey, another board member, is also a Knight of St. John.

The Order of St. John respects the same chain of command as do Canada's Governor-General and Privy Council: the Queen of England, who is the titular head of the Order, and the Queen's cousin, the Duke of Gloucester, who is Grand Prior to the Order. These men control the finances and logistics of Canada's economy. Through a series of "cutouts," like the Bronfman family, they also control the drug-running, the organized crime, and the political terrorism directed against the United States.

There has been little effective challenge to their rule of these forces in Canada since 1910, when then-Prime Minister de Laurier attempted to organize a counterweight from within the British dominions, including support from then Prime Minister of South Africa, Botha. Lord Milner, whom we profiled earlier in Section 7, traveled to Canada in 1908 to avert what would have been a catastrophe in the eyes of the British monarchy.

Milner's visit, which founded the Canadian Round Table Group — the mother organization of Walter Lockhart Gordon's Canadian Institute of International Affairs — was ultimately successful. Robert Borden, a Milner protege, replaced de Laurier in 1910, and Canada was secured for the Prohibition offensive against the United States. Robert Borden's descendant Henry Borden still sits on the Council of the Canadian Institute of International Affairs.

The project is best summarized in a letter that Rudyard Kipling, the swastika-wielding racist who helped found Canada's Institute of International Affairs, wrote to Lord Milner after the de Laurier initiative failed:

"This busts the de Laurier-Botha liaison," Kipling wrote, "in

what are called our Imperial Councils. Additionally, Australia will be deprived of big sister's (i.e. Canada's — ed.) example as an excuse for nibbling after American 'protection' on her behalf . . . and I do believe it smashes French power for good. Seriously, don't you think it's the best thing that's happened to us in ten years? Also, we've worked very hard for it." (3)

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# All in the Family: The Real Syndicate

Why, if so much detailed evidence on the world narcotics traffic exists in the public record or in the files of law enforcement agencies, has this picture remained hidden for so long? The answer put forward at the outset was that the "Purloined Letter" principle is in effect: the HongShang and other top traffickers who mingle freely in the business world were designed specifically to hide the drug trade behind a facade of legitimate finance. At bottom, that fraud may deceive the general public, but it could not—by itself—hold professional investigators at bay indefinitely. The more important answer lies deeper.

The answer takes the reader behind the corporate board rooms and precious metal exchanges to the inner life of the British elite. What we now present would be easier to explain in the format of fiction than of fact: the entire world drug traffic has been run by a single Family since its inception. That statement applies not merely to growing and distribution, but to political, intelligence, and ideological support as well. We will sketch out the animal in this section and in the accompanying chart.

Popular accounts of the Italian organized crime families, or

their counterparts in the Jewish and expatriate Chinese banking groups, give the reader a starting point whence to look at Great Britain's oligarchy. Britain's elite, in a superficial sense, runs along lines not much different from the organized crime families. The Keswick family of Jardine Matheson, the Inchcape family of the Peninsular and Orient Steamship Co., the Russells, the Dukes of Sutherland and Elgin, appear and reappear in this account, from the first Opium War to the directors' lists of the most prominent British banks. The same interbreeding dynasty controls every major bank, mining, and transportation company in London, including the HongShang, Jardine Matheson, Barclays Bank, Anglo-American Corporation, N.M. Rothschild, and Lazard Freres. As we will show, their cousins and in-laws also control Britain's political and intelligence establishments, and have done so throughout the entire time-frame of this report.

After a more careful look, however, the "Mafia" image turns out to be something like a pornographic negative: the Italian, Jewish, Ch'ao Chou Chinese, and other ethnic minorities that figure in aspects of the narcotics traffic are fitting allies of the British oligarchy because their tight-knit family networks parallel it. But the British dynasty is deeper, more sinister than that. The dynasty enjoys such power in Britain that a favored nephew can clear opium shipments through Hong Kong, while an uncle clears payments through a big London bank, a second cousin expedites necessary gold shipments through the Hong Kong market, and an in-law in British intelligence reassures the American drug enforcement authorities.

To call this a "conspiracy" would abuse the meaning of the term. Under examination is a dynasty that has controlled Britain for hundreds of years, enjoys virtually all major positions of corporate and political power, and believes that making events happen from behind the scenes is as natural and ordinary as afternoon tea. When the chairmen of the boards of Britain's leading banks, trading houses, and mining companies show up at the same weddings and christenings (and bar mitzvahs) as the chiefs of British intelligence and various government ministries, there is no need for the formal trappings of conspiracy. Conspira-

torial rituals are useful to bind together secret societies composed of otherwise unorganized individuals. But it doesn't work that way at the top. In a frank discussion, a Lazard Freres partner who is quite active in the Royal Institute of International Affairs exclaimed. "You seem to think that a group of men meets secretly in a room somewhere to hatch plots about this or that. I can assure you that it doesn't work that way!"

The British gentleman is entirely within his rights. Like the HongShang Bank itself, the British oligarchy is so much part of the bedrock of events that it does not need to act in conspiratorial fashion: by its own self-description, it merely is, and always has been. Its adherents have indulged in public self-examination only under the protective coloring of fiction, e.g. a famous novel by a member of one of the British secret societies, Bram Stoker's *Dracula*. Of that secret society, the "Order of the Golden Dawn," more will be said below.

#### THE FAMILY RELIGION

The sinister element that sets the British oligarchy apart from the popular image of the Mafia family is its unshakable belief that it alone is fit to rule the world—the view reflected in Cecil Rhodes's 1877 Testament, cited in Section 7. Their religion is not the Anglican Christianity they publicly profess, but a hodge-podge of paganism, including satanic cults such as Theosophy and Rosicrucianism. The central, syncretic ideology of the oligarchy's inner cult life is the revived Egyptian drug cult, the myth of Isis and Osiris, the same anti-Christian cult that ran the Roman Empire. And like the ancient Isis-worshipping Egyptian dynasties, the British ruling family networks have maintained power for centuries by keeping the secrets of their intrigues within the family.

The Isis cult also formed the core of Lord Palmerston's Scottish Rite of Freemasonry. As Prime Minister during both Opium Wars, Palmerston employed variants of this ideology to spin a web of connections that stretched from the Order of Zion in Romania to the Ku Klux Klan in the United States. Parts I and III of this report document how Palmerston's Scottish Rite engendered the subterranean world of drug-related mysticism,

and its various secret societies, including what the public now calls "Organized Crime." (1)

The Cult of Isis, dredged up in modern format, was the official ideology of leading British politicians, financiers, and literary figures during the previous century. Its great public exponent was the colonial secretary during the Second Opium War, Edward Bulwer-Lytton, the author of *The Last Days of Pompeii*, which first popularized the Isis cult, and the mentor of Cecil Rhodes's whole generation of British imperialists.

The Royal Institute of International Affairs was the "secret society" called for in Rhodes's will and is the body that provides the command structure for the drug trade. But the Royal Institute itself was founded by an even more secret group: the "Circle of Initiates . . . devoted to the extension of the British Empire," in the description of one of its historians. (2) The Circle of Initiates included Lord Milner; Cecil Rhodes, the founder of Britain's African mining empire; future prime minister Arthur Balfour; Albert Grey; and Lord Rothschild.

All these men celebrated forms of the Isis cult. Their worldview was largely designed by Britain's leading exponent of the Isis cult, novelist Edward Bulwer-Lytton, and his protege John Ruskin. Britain's High Priest of Isis, Bulwer-Lytton, was also the British government's chief drug-runner.

The words of American Founding Father Tom Paine to characterize British King George III, against whom America fought the Revolutionary War, thus are highly appropriate: "I rejected the hardened, sullen-tempered Pharaoh of England forever . . . and disdain the wretch." (3)

## The beginning: the Knights of St. John of Jerusalem

The elite of the elite in Britain's secret dynastic life is Her Majesty's Most Venerable Order of St. John of Jerusalem — the "Christians who are not really Christians." (4) We have already highlighted the Knights' prominence in the centers of the world



drug traffic: from the Hongkong and Shanghai Bank to the Canadian Pacific in Vancouver to Barclays Bank in London. Although Queen Victoria reconstituted the Most Venerable Order in the 1880s as the Protestant British branch of the Knights of Malta, our tale properly begins much earlier with the original order of the Knights of St. John, founded in Jerusalem in 1070. The order of St. John inherited what British authors smirkingly call "the wisdom of the East" from the Coptic, Gnostic, and Manichean networks of the Eastern Mediterranean. The Order of St. John thus maintained direct continuity with the ancient Cult of Isis.

However distant from the familiarity of the American reader, the area we have entered must be viewed the way the families themselves see it. The brooding evil of Walter Scott or Robert Louis Stevenson romances, or their cheap Gothic novel imitations, gives the reader a basis for insight into the inner history of the families, and the need to begin with cobwebbed history in order to get to the bottom of Dope, Incorporated.

To begin at the beginning: in the 14th century, the Order of St. John's emergence in England was part of a project to annihilate its humanist opposition, the Knights Templar. Total warfare had broken out on the continent. The oligarchists in France and Italy, Philip the Fair and Pope Clement V, slaughtered hundreds of Templars, and burned the Templars' courageous Grand Master, Jacques de Molay, at the stake in 1314.

A renegade group of Templars under the command of an adventurous thug, King Robert Bruce, grabbed Scotland — Europe's least civilized outpost — as an "offshore" stronghold, as a form of insurance against their uncertain fortunes on the European continent. King Robert Bruce is not only the spiritual founder of the Scottish Rite of Freemasonry but the direct ancestor, by unbroken lineage, of all the men of evil in England who figure in this report.

After the death of Jacques du Molay, some Scottish Templars. . . at the instigation of Robert Bruce ranged themselves under the banners of a New Order (The Royal Order of Scotland) instituted by this prince. . . It is there

that we must seek the origin of the Scottish masonry.  
(emphasis added) (5)

This statement by a leading historian of the Masonic movement is the standard interpretation of the origin of the Scottish rite.

## The Family's Opium Wars

As the accompanying Family Tree indicates, there is a direct lineage from the King Robert Bruce to the British officials who ran the first opium wars against China. James Bruce, the 8th Earl of Elgin — after supervising the Caribbean slave trade as Jamaican Governor General from 1842-46 — was appointed Ambassador and Minister Plenipotentiary to China from 1857 to 1861 — the period covering the Second Opium War against China. His brother Frederick Bruce had been Colonial Secretary at Hong Kong during the mopping-up operations following the First Opium War and returned to China in 1857 to assist his brother in delivering the British government's ultimatum to the Chinese emperor. (6)

The British Dictionary of National Biography summarizes the Chinese career of the elder Bruce succinctly:

In 1857 Elgin was sent as envoy to China. On reaching Singapore he was met by letters from Lord Canning informing him of the Indian mutiny, and urging him to send troops to Calcutta and from the force which was to accompany him to China. With this requisition he at once complied, sending in fact the whole of the force, but he proceeded himself to Hong Kong in the expectation that troops would speedily follow. . . .

He repaired to Calcutta. . . . Later in the year he returned to China, fresh troops having been sent out (to replace those which had been directed to India — ed.). . . . Canton was speedily taken and some months later a treaty was made at Tientsin, providing, among other matters, for the appointment of a British minister, for additional

facilities for British trade (i.e., opium — ed.). . . and for a war indemnity. (emphasis added)

Elgin returned to England in 1859.

In the following year he was again sent to China, the Emperor having failed to ratify the treaty of Tientsin and having committed other unfriendly acts. . . . The military opposition (to Elgin's mass addiction policy — ed.) was not effective, but the Chinese resorted to treachery. (Chinese forces killed some British troops enforcing opium distribution — ed.). In retribution for this treacherous act, the summer palace, the favorite residence of the Emperor at Peking, was destroyed. A few days later the treaty of Tientsin was formally ratified. (7)

The account concludes that Elgin's "letters show he was a man of warm affections, eminently domestic, with very decided convictions on religion. . . ."

Who was running England at the time? The prime minister was the same Lord Palmerston who turned the Scottish Rite into Britain's leading cash-producing export product. The foreign secretary was Lord John Russell, son of the 6th Duke of Bedford, and grandfather of Britain's most dangerous 20th century intelligence operative — • Bertrand Russell.

Palmerston and Russell were relatives of the Bruce brothers, the Elgin peerage, by marriage into the direct line of Order of St. John control over England. The branch that encompasses Britain's two leading cabinet ministers during the Second Opium War is the Villiers line. The line began with George Villiers, who assisted Robert Cecil and Edward Bruce in seizing the English throne for another descendant of Robert Bruce — James I of Scotland — in 1603. (8)

Lord Russell's daughter, Victoria, married into the Villiers family. Russell's grandson, Bertrand, among his other covert operations, maintained liaison with Chou En-lai throughout the postwar period on behalf of British intelligence, at the height of the Anglo-Chinese drug traffic. (9)

Even more significant is the third member of the London team during the Opium Wars — Colonial Secretary Edward Bulwer-Lytton, a relation by marriage of the Duke of Wellington. His son married Edith Villiers, of the same branch of the leading Order of St. John dynasty.

## The imperial cultists and opium

Bulwer-Lytton is best known to Americans through his 1838 novel, *The Last Days of Pompeii*, but he is also both the spiritual father of the Rhodes-Milner secret societies and of Nazi fascism. A mystic and prenascent fascist, Bulwer-Lytton led the English Rosicrucians, a branch of the Scottish Rite Masons headed by his Prime Minister Palmerston.

Unlike the comparatively closed members of the British elite around him, Bulwer-Lytton was an outspoken exponent of the Isis cult, which formed the subject of his famous novel. His popularized Isis myth was the inspiration for an entire array of warped imitations.

Included among these was Helena Blavatsky's book, *Isis Unveiled*, and her Theosophist cult. Theosophy was the Satanic bible of the mystic secret societies, including Germany's "Thule" group, which produced most of Hitler's SS. (10)

Another Bulwer-Lytton protege was satanist Aleister Crowley, of the "Thule" group's equivalent in England, the "Isis-Urania Hermetic Order of the Golden Dawn." Both of these groups traced their lineage back to Palmerston's Scottish Rite Masons through Bulwer-Lytton. (11)

Aleister Crowley was the tutor of Aldous Huxley, the prophet of mind control, who later introduced the LSD cult into the United States during the 1950s (see Part IV). (12)

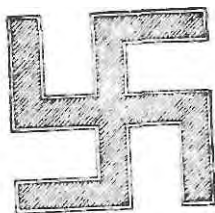
Britain's imperial link to Nazi fascism is even more direct in the case of Bulwer-Lytton's other published work. His novel *Rienzi*, about the Knights of St. John, provided the text of Richard Wagner's first opera. His 1871 novel, *Vril: The Power of the Coming Race*, contained virtually everything that Houston Stewart Chamberlain later had to say on racial theory; Prof.



A victim of Britain's Opium War against the U.S.



2



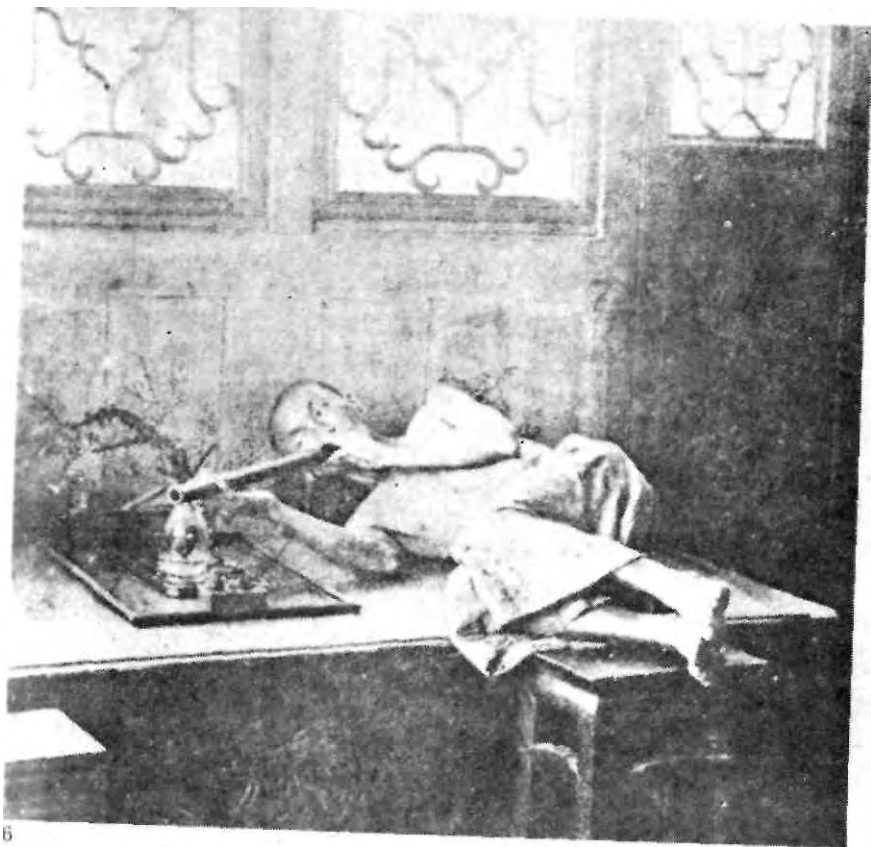
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4



5



- 6
2. Rudyard Kipling
  3. The symbols of the Scottisch Rite of Freemasonry
  4. Milton Friedman
  5. Adam Smith
  6. A 19th century Chinese opium smoker



7



8



9

- 7. William Jardine
- 8. James Matheson
- 9. An artist's depiction of the First Opium War



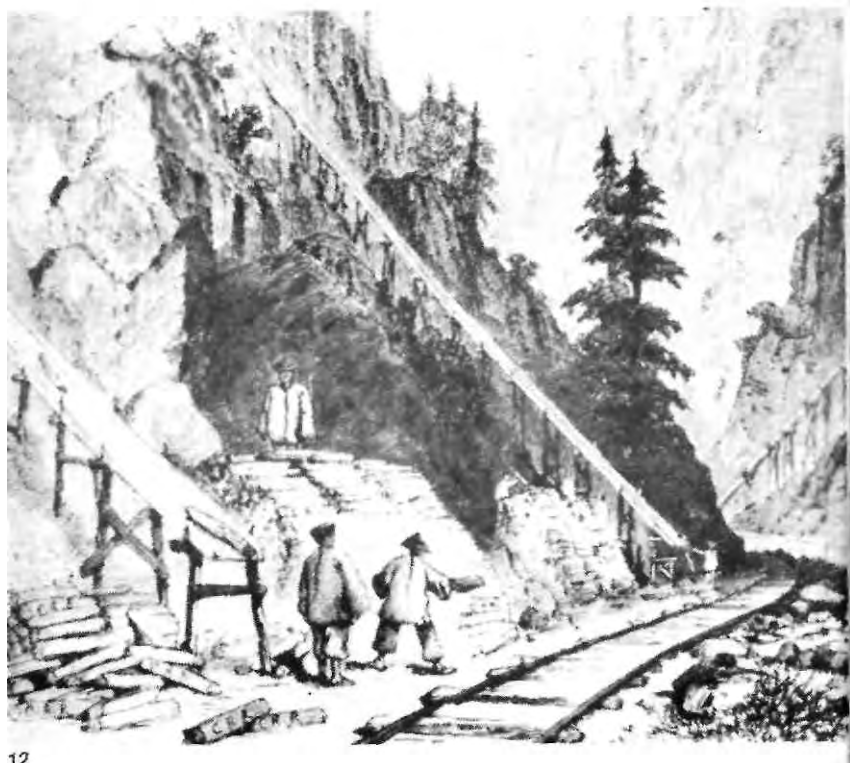


10. A Chinese-American opium den (by artist Winslow Homer) as depicted in Harper's, 1874



11

11. Giuseppe Mazzini
12. Chinese "coolies" — opium smokers — at work on U.S. railroad
13. Lehman Bros. (Lehman & Durr) office in Montgomery, Alabama shortly after the Civil War; the same building houses The Oddfellows secret society
14. Lincoln's assassination by John Wilkes Booth, a British agent (artist's depiction)



12



13



14



15



16

15. A mule-team convoy carrying opium through northern Thailand (1967)  
16. Hillsides in northern Thailand devastated by the planting of opium poppies



17. A drug-stand in the open market place, Vientiane. Laos (1967)



18. Chin Sophonpanich, Chairman, with other directors of the Bank of Bangkok



19



20

19. Chinese expatriate gold-dealer (Woo Hong-fai), Hong Kong, 1977
20. Udorn Tejapaibul, Chairman, Bangkok Metropolitan Bank



21



22

21. The Crown Colony of Hong Kong, financial center of the drug trade

22. Brian Slevin, Hong Kong Chief of Police

23. M.G.R. Sandberg, Chairman, The Hongkong and Shanghai Bank

24. The Hongkong and Shanghai Bank building

25. Hongkong and Shanghai emblem

26. Current notes issued by the Hongkong and Shanghai and the Standard Chartered banks in Hong Kong; at bottom, an 1879 issue of the Anglo-Egyptian Bank (Barclays)





23



24



25



26



27



28



29



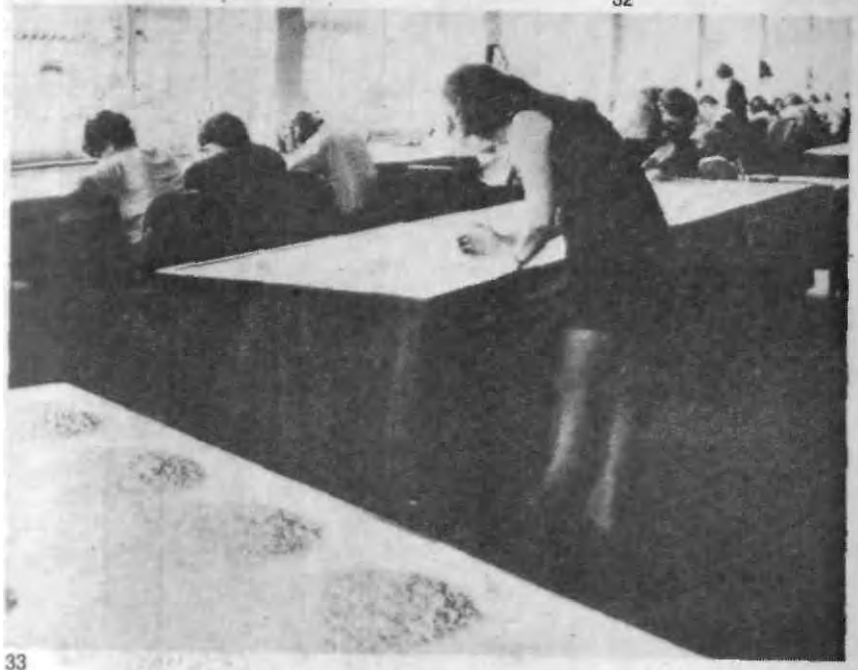
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31



32



33

27. Henry Keswick, Sr., Managing Director, Jardine Matheson
28. Sir Mark Turner. Chairman Rio Tinto Zinc, and Governing Council, the Royal Institute of International Affairs
29. John Keswick, Director, Matheson and Co.
30. David Newbigging, Managing Director, Jardine Matheson
31. Bars of gold distributed by Mocatta Metals
32. Harry Oppenheimer
33. Diamonds sorted by quality, shape and color



34



35

34. Henry Jarecki (c) with Edward Mocatta (r) and Keith S. Smith, Managing Director. Mocatta and Goldsmid
35. A morning gold-fixing, N.M. Rothschilds, London (second from right, Edward Mocatta)



36

36. "Bullion Pile" prepared for a visiting Queen Elizabeth II by Mocatta's parent bank (valued at £6,000,000)



37



38



39



37. Mao Tse-tung with U.S. General Hurley, 1949: double-cross

38. Chinese Premier Chou En-lai, 1949

39. Bertrand Lord Russell

40. Walter Lockhart Gordon (r) with Peter C. Newman (c) and Abraham Rotstein of Canada's "China Lobby"

41. Lord Amory, 31st Governor, G.T. Richardson, 32nd Governor, and A.J. Macintosh, Deputy Governor of the Hudson's Bay Company in 1971



42



43





45

42. Queen Elizabeth II with Canadian Prime Minister Pierre Elliot Trudeau, 1978

43. Corporate emblems of the Canadian money-laundering banks: Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank, Royal Canadian Bank, Toronto Dominion Bank

44. John Ruskin

45. Cecil Rhodes



46



47

46. Robert Cecil, Lord Burghley, who delivered Tudor England to the Order of Malta's House of Stuart
47. Stuart James VI of Scotland, James I of England (1603-1625).
48. Grand Master of the Order of St. John of Jerusalem, Villiers de l'Isle-Adam entering Malta in 1530
49. The Seal of the Knights Templar
50. A 14th century Knight of St. John depicted kneeling before Rhodes, the order's home base before the Hapsburg gift of Malta



48



49



50



51



52



53

51. Amschel Rothschild, 18th century German founder of the family's financial empire
52. Nathan Rothschild, founder of the family's British branch
53. Prince William IX of Hesse Cassel, first patron of the Rothschilds, whose Prussian field marshal's uniform is decorated by a Cross of Malta



54



55

54. Modern rites of the Order of St. John of Jerusalem

55. Winston Churchill in Warden of Cinque Ports costume for the 1953 coronation of Elizabeth II



56



57



58

- 56. The current Cecil, Lord Harlech
- 57. Joseph P. Kennedy during the whiskey-running years
- 58. John Fitzgerald Kennedy and Robert Francis Kennedy



59

## What the best drinks have in common.

Seagram's 7 Crown is a blend of the finest Scotch Whisky and American Grain Neutered Whisky. It is smooth and easy to drink. It is the only Scotch Whisky in the world that is not blended with other Scotch Whiskies. It is the only Scotch Whisky in the world that is not blended with other Scotch Whiskies. It is the only Scotch Whisky in the world that is not blended with other Scotch Whiskies.

**Seagram's 7 Crown**  
Where quality drinks begin.



59. Edgar Bronfman  
60. The whiskey his father Samuel ran into the USA during Prohibition



61



62



63



64



65



66



67



68





69

- 61. Arnold Rothstein
- 62. Meyer Lansky
- 63. Thomas E. Dewey, re-organizer of organized crime in the 1930s
- 64. Al Capone
- 65. Charles "Lucky" Luciano
- 66. Johnny Torrio
- 67. Abner "Longie" Zwillman
- 68. "Bugsy" Siegel
- 69. John F. Kennedy, beginning the 1963 motorcade in Dallas that ended in his assassination
- 70. Major Louis Bloomfield, wearing the Cross of Malta



70



71



72

71. The Beatles are introduced to America

72. The British intelligence cult of Hare Krishna



74



75

73. Aldous Huxley

74. Aleister Crowley, in robes of the Order of the Golden Dawn

75. Ancient Egyptian wall-painting, depicting the death rites of the Cult of Isis (now in British Museum)



76



76. The Drug Lobby: Senators Jacob Javits and Edward Kennedy

Karl Haushofer, who ghost-wrote most of *Mein Kampf* in Hitler's prison cell 50 years later, named his first secret organization the "Vril Society." (13) Bulwer-Lytton's Nazi German and British secret societies met officially for the last time when Nazi minister Rudolf Hess attempted to make contact in 1941 by flying to Britain.

Bulwer-Lytton directly influenced John Ruskin at Oxford University and established the lineage that leads — through such names as Milner and Rhodes — to the present-day Royal Institute of International Affairs. Ruskin's students included Milner, Rhodes, Albert Grey, and the future director of research for the RIIA, Arnold Toynbee.

Ruskin's inaugural speech at Oxford in 1870, inspired by Bulwer-Lytton, left such an impression on Cecil Rhodes that he carried a handwritten version of it with him until he died. The speech — which set the tone for Rhodes's 1877 will quoted in Section 7 — stated in part:

There is a destiny now possible to us — the highest ever set before a nation, to be accepted or refused. We are still undegenerate in race; a race mingled of the best northern blood. . . . We are rich in an inheritance of honour, which it should be our daily thirst to increase with splendid avarice. . . . (England) must found colonies as fast and as far as she is able . . . seizing every piece of fruitful ground she can set her foot on, and teaching these her colonists that their . . . first aim is to advance the power of England by land and sea. . . . (14)

Bulwer-Lytton's son Edward Lytton was Viceroy and Governor-General in India 1876-80. Two aspects of the younger Lytton's rule in India are important to this report. First, Lytton supervised the single greatest expansion period in the history of opium production in British India. (15) As noted in Part I, Palmerston had set forth this task as a means of compensating for Britain's industrial decline relative to the United States. It was fitting that the son of his former cabinet colleague and fellow cultist personally carried out Palmerston's opium-expansion program.

Secondly, Edward Lytton's rule in India provided a home for the most important of the crackpot cultists inspired by his father. Lytton himself was the closest friend of Rudyard Kipling's parents, members of the circle around A. P. Sinnett's Allahabad journal *The Pioneer*. (16) The elder Bulwer-Lytton's follower Madame Blavatsky, of the Theosophy Cult, appeared in India in 1879, and recruited A. P. Sinnett to her belief-structure. (17) Both Kipling and Blavatsky employed the swastika as their personal mystic symbol. From Kipling, Blavatsky, Haushofer, and others, the swastika found its way into the German cults that formed the core of later Nazism.

Kipling's last major official post was under press czar Lord Beaverbrook at the wartime Propaganda Ministry; working side-by-side with him was a relative of the Lyttons' by marriage, Sir Charles Hambro. Hambro went on to run Britain's dirty operations during World War II as chief of the Special Operations Executive from 1942 onwards. Kipling also served as a trustee of the Rhodes Trust from 1917-25.

Kipling's cousin, Stanley Baldwin, was prime minister from 1923-29 and 1935-37; during his second tenure, the Baldwin government groomed Hitler as a "marcher lord" against the Soviet Union, setting the stage for Munich 1938. (18)

Another well-known British literary figure, also with a mystical bent, deserves mention in this context: Alfred, Lord Tennyson. Tennyson married the niece of the 8th Lord of Elgin (James Bruce), and remained a close personal friend of the commander-in-chief of the Second Opium War. Tennyson was a founding member of the Metaphysical Society, with Bulwer-Lytton's protege John Ruskin, Lord John Russell's uncle Lord Arthur Russell, future prime minister Arthur Balfour, and Thomas Huxley. (19) In 1880, the Metaphysical Society was reorganized, and became the Aristotelian Society. Lord John Russell's grandson Bertrand Russell became the Aristotelian Society's President 1913-14 and 1935-37; one of his successors was Sir Karl Popper. The Aristotelian Society remains the Apollonian side of British intelligence's High Priesthood.

Tennyson's unambiguous endorsement of opium abuse was expressed in his well-known poem, "The Lotus Eaters":

Let us swear an oath, and keep it with an equal mind,  
In the hollow Lotus-land to live and lie reclined,  
On the hills like Gods together, careless of Mankind. (20)

## Today's opium dynasty

The closing days of the Baldwin government and the opening days of World War II are an appropriate place to pick up the contemporary trail of the leading opium families — the Inchcapes and Keswicks. In 1939 the creation of Britain's Ministry for Economic Warfare offered a meeting place for the old families: Sir John Henry Keswick, later the architect of the Peking Connection; Sir Mark Turner, the current chairman of the old Matheson-Keswick firm Rio Tinto Zinc; Gerald Hyde Villiers, a leading scion of the evil old family; and John Kidston Swire, of the old Swire dope-trading family.

Starting from the Matheson family's role in the first Opium War and tracing through to the World War II period and up to the present, the fortunes of the Matheson and Keswick line of the dynasty run the entire gamut of political developments surrounding the drug trade.

The Rio Tinto Zinc Company was founded in 1873 by James Sutherland Matheson's nephew Hugh Matheson — taking the lineage of that firm all the way back to the days of George III and the American Revolution through then-Prime Minister Spencer Perceval. The younger Matheson founded the firm with his uncle's opium profits and help from the Schroeder banking family — who in 1931 funded Bulwer-Lytton's ideological spawn Adolf Hitler. The Lyttons and Mathesons are relatives by marriage, through the Villiers family and the Sutherland family.

Hugh Matheson's successor at Rio Tinto Zinc in 1898 was J. J. Keswick, a partner in the opium-running Jardine Matheson firm, and a relative of the Mathesons by marriage through the Fraser family.

Apart from their leading role in Jardine Matheson, J. J. Keswick's family had a leading role in the British governance of the official opium trade. His cousin, William P. Keswick, was

British Consul-General in Hong Kong during the same years that Edward Lytton, Governor-General in India, was expanding opium output according to the Palmerston program.

William P. Keswick's son Henry Keswick, a past chairman of the Hongkong and Shanghai Bank at the height of its dope-trading glory, had three sons: David, John H., and William J. David Keswick is still among the largest shareholders and a partner of the London merchant bank Samuel Montagu. Sitting with him on the board of directors of Samuel Montagu is Rio Tinto Zinc's current chairman Sir Mark Turner. Turner, as noted, also worked with brother Sir John Henry Keswick in the Ministry of Economic Warfare. Later, John Henry went on to the British embassy in Chungking, picking up the opium trail where World War II had cut it off (see Section 7).

The third brother, Sir William Johnston Keswick, is the protagonist of Section 8 dealing with Canada; as previously documented, Keswick ruled the Shanghai Municipal Settlements at the height of Shanghai's heroin traffic, and set up the first big heroin connection, via intermediary Jacob "Yasha" Katzenberg (see Part III Section 1).

The family history of the Keswicks intersects the story of the Russells, Villiers, and Bruces through their most senior political operatives, notably Lord Milner. Milner, Cecil Rhodes's protege and one of racist John Ruskin's early trainees, bridged the gap between the establishment of the Rhodes Trust and the creation of the Royal Institute of International Affairs in 1920. Milner became a director of Rio Tinto Zinc in 1921, and served as chairman from 1922 until his death in 1925.

More important, however, is Milner's joint work with the Keswick family in setting forth the "geopolitical" policy than finds its most succinct expression today in Britain's proposed alliance with China against the Soviet Union. As documented above, that policy includes a free hand for British drug-running.

This option first saw the light of day through the World War I collaboration of Lord Milner, William Boyce Thompson, and wartime British Commissioner in St. Petersburg, Frederick Lindley. During his wartime mission to Russia, according to the History of the London Times, a documentary source, Lord Milner



worked closely with Frederick Lindley to install and then, unsuccessfully, to maintain in power, Alexander Kerensky. (21) This followed Britain's post-American-Civil War policy of fostering a weak and dependent Russia.

Frederick Lindley was the grandfather of Henry Neville Lindley Keswick, who currently occupies the traditional family seats at the head of Jardine Matheson's directors and on the board of the Hongkong and Shanghai Bank. The third member of the Milner team, William Boyce Thompson, was the head of the Red Cross delegation in Russia; the Red Cross is, officially, the "charitable" side of the Order of St. John of Jerusalem. (22) After the war, Thompson, with funding from the Morgan bank, established the Anglo-American mining firm in South Africa — which now controls 60 percent of world gold output outside the Soviet Union, and, through its controlling interest in De Beers, virtually all the diamond output (see Section 4). That is the origin of London's top-down control over the precious metals and gems channels for laundering dirty money. To tie these strands back into the main line of the narcotics traffic: Milner's hand-picked successor at Rio Tinto Zinc, whose original mines were in Spain, was Sir Auckland Geddes. Geddes, who ruled until 1952, was a sponsor of Francisco Franco's fascist coup in Spain. (23) His nephew, Ford Irvine Geddes, was a director and then chairman from 1971-72 of the Inchcape family's huge shipping complex, the P&O Steamship Company, which has shipped more opium than any other entity in the world. One of P&O's officers, deputy chairman Sir Eric Drake, is a close associate of Sir William Johnston Keswick, also of the old Rio Tinto Zinc family (see Section 8). Drake and W. J. Keswick jointly control Canada's Hudson's Bay Company, which established the rum-running routes from Canada into the United States during Prohibition, together with the Bronfmans. The old Inchcape family, whose current scion, the 3rd Earl of Inchcape, still is chairman of the P&O Lines, is closely related to the Matheson family of Jardine Matheson. The founder of Jardine Matheson, James Sutherland Matheson, was the son of Katherine Mackay and Donald Matheson; Mackay is the family name of the Earls of Inchcape. The 3rd Earl, J. W. Mackay, is the

son of the 2nd Earl of Inchcape, who authored the infamous 1923 Inchcape Report, insisting that the opium trade must be maintained to "protect the revenues" of the British Empire — despite the outcry of the League of Nations.

Through the current Lord Inchcape, the old opium dynasty married into the highest level of British banking. The aforementioned J. W. Mackay of the P&O Lines married Aline Pease, his brother-in-law, Richard T. Pease, has been the vice-chairman of Barclays Bank since 1970. Barclays Bank, as noted above, is the controlling institution for the entire array of Israeli financial operations, through its control over the current Japhet family bank — Charterhouse Japhet. The current senior Japhet family member, Ernst Israel Japhet, is now the chairman of Israel's biggest commercial bank, Bank Leumi. Barclays Bank controls outright Israel's second-largest commercial bank, the Israel Discount Bank, also known as Barclays discount bank.

Taking together the Inchcapes, Keswicks, Peases and related families, control over London's banking establishment becomes a swirl of intermarriages, to the point that the top London banks and the scions of the drug trade appear as a single family entity, rather than competing or even parallel institutions. For example, the current deputy chairman of Inchcape and Co. — the family, holding company that owns majority stock in the P&O Lines — is Sir Hugh Mackay-Tallack. Mackay-Tallack is also the deputy chairman of the Standard and Chartered Bank, the second-largest bank in the Far East after the HongShang. The 3rd Lord Inchcape himself, J. W. Mackay, is also a director of Standard and Chartered, along with cousin Sir Hugh.

As the reader can judge from the chart, the Pease branch of the Family is further closely related to:

\* The Schroeder Bank, whose chairman, the 10th Earl of Airlie, is the brother-in-law of A. D. F. Lloyd, of the bank that bears his name.

\*Kuhn Loeb, whose leading partner was Otto Kahn; his granddaughter is the wife of the 10th Earl of Airlie, the chairman of Schroeder Bank.

\* The family of Winston Churchill, whose mother-in-law is an Airlie;

\* The Lazard group, related to the Churchills by marriage; Lazard controls the London Financial Times, the Economist, Penguin books, as well as one of Britain's top merchant banks. It should be remembered that the Lytton family and the Keswick family are related to each other, via marriage through the Fraser family, whose current leading member is deputy chairman of Lazard.

The British and American Hofjuden are represented at the borders of this complex. As noted, the 10th Earl of Airliie married the granddaughter of Otto Kahn, Capo of American Hofjuden; his sister, Margaret Ogilvie, married into a branch of the dynasty

(see chart) that, in turn, married into the Rothschilds.

The Rothschilds were the first of a number of leading families to come up the ladder through intermarriage with the leading families — an award for special service to the British monarchy. Other prominent examples are the Kennedys and Bronfmans. After a display of Anglophilia during his tenure as America's Ambassador to the Court of St. James, Joseph Kennedy achieved his ultimate social-climbing ideal: his daughter Kathleen married the son of the 10th Duke of Devonshire. After their elevation to the status of leading Hofjuden during the 1930s, the Bronfmans intermarried with the French de Gunzberg family and the Belgian Lambert family (the Belgian branch of the Rothschilds). However, Edgar Bronfman's attempt to wed Caroline Townshend, the direct descendant of the Lord Townshend who precipitated the American Revolution through a tea tax, came to naught. Shortly after their 1972 marriage, Edgar Bronfman sued for divorce, on the grounds that the English noblewoman had denied him connubial relations. Apparently, there are limits to what the British families will suffer from social-climbing Hofjuden.

Few even among specialist readers will appreciate how many significant historical and intelligence problems of the last hundred years are clarified, in one degree or another, by this summary description of the Family. Only a small portion of the names listed on the chart, or their historical significance, has been presented in this section. Nonetheless, the point is irrevocably established for the general reader that the

individuals named throughout this section are part of a single family operation, whose members take critical roles in furthering the opium trade, financing the opium trade, and directing the opium trade — wherever the opium trade is a matter of public record. This includes every crucial juncture of Dope, Incorporated: the period of opium production expansion in India, the Opium Wars against China, the Shanghai Connection of 1928, the Peking Connection of the World War II period and after, and the Opium War against the United States.

The point is also indisputably established that this has been and is the policy of the British government and, through the Most Venerable Order of the Knights of St. John of Jerusalem, the British Monarchy itself.

# The Dynasty of Robert Bruce

## THE DRUG FAMILY TREE

### List of Abbreviations

A.D.C., aide decamp  
Aff., affairs  
Amb., ambassador

B., baron  
B.P., British Petroleum

Can., Canada  
Chan., chancellor  
Chm., chairman  
Cons., consul

d., died  
Dau., daughter  
Dir., director  
Dpty., deputy

Env., envoy  
Exch., exchequer  
Extr., Min. Plen., extraordinary,  
Minister Plenipotentiary

Fin., financial, finances

G.C.M.G., Grand Cross of St.  
Michael and St. George  
Geo., George  
Gen., general  
Gov., governor

HK, Hong Kong

Intell., intelligence

K.G., Knight of the Garter  
KG. St. John, Knight of Grace of  
the Order of St. John

L.G. St. John, Lord of Grace of  
the Order of St. John  
Lt., lieutenant  
Ltd., limited

m., married  
Mem., member  
M.E.W., Ministry of Economic  
Warfare  
Min., minister  
Mvmt., movement

Neth., Netherlands

P.M., Prime Minister  
Parl., parliamentary  
Pres., president  
Ptnr., partner

R.I.I.A., Royal Institute of  
International Affairs  
RTZ, Rio Tinto Zinc

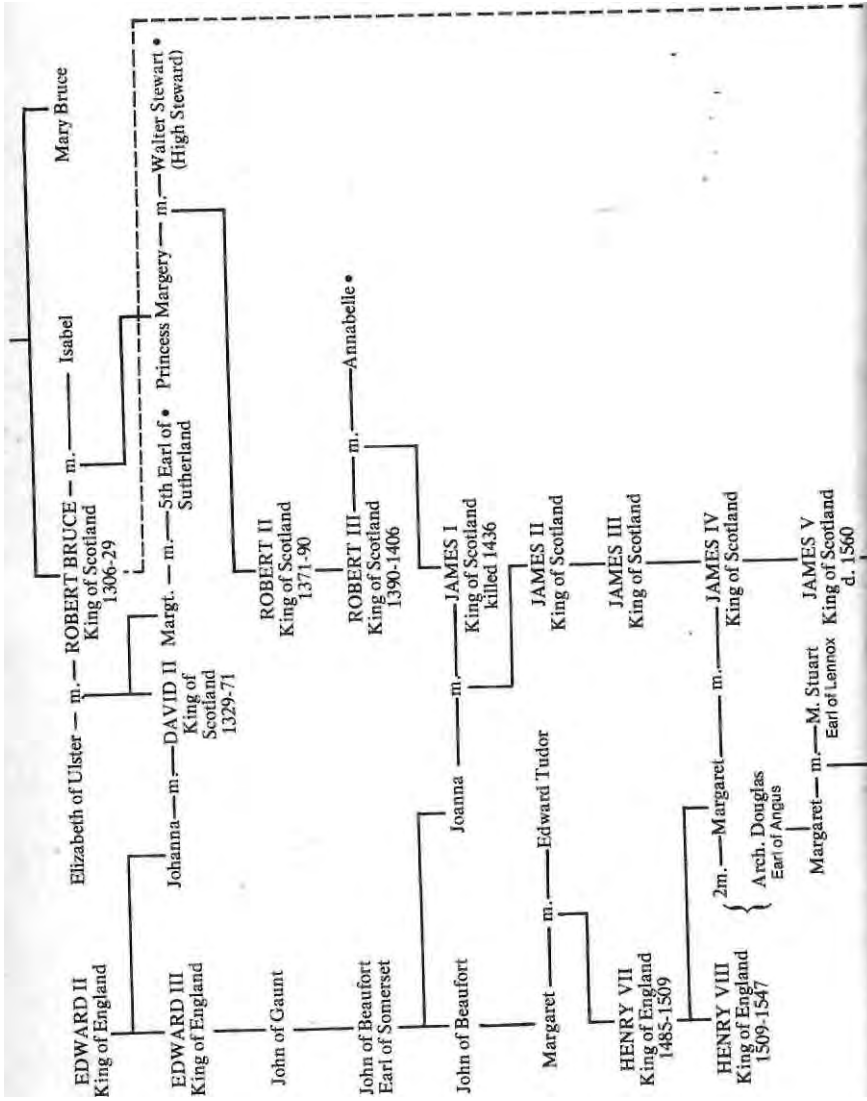
S.O.E., Special Operations  
Executive  
Soc., society

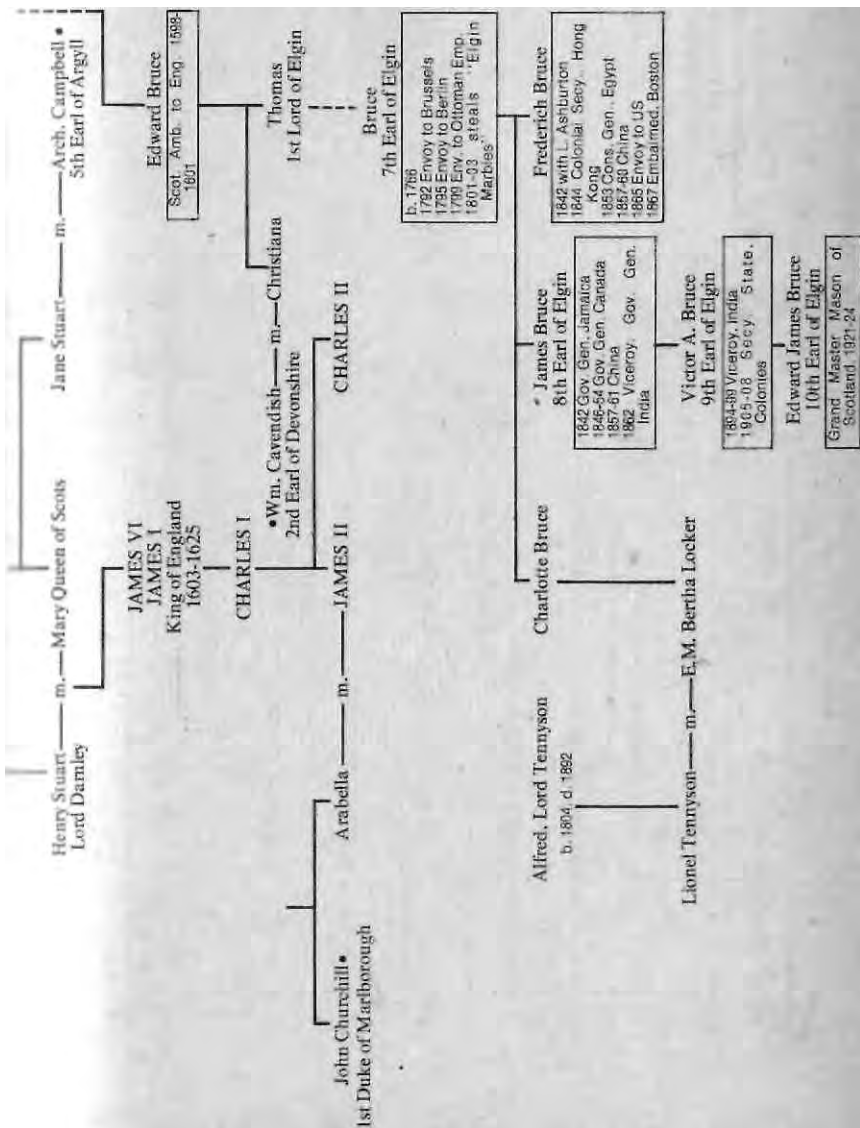
Tee., trustee

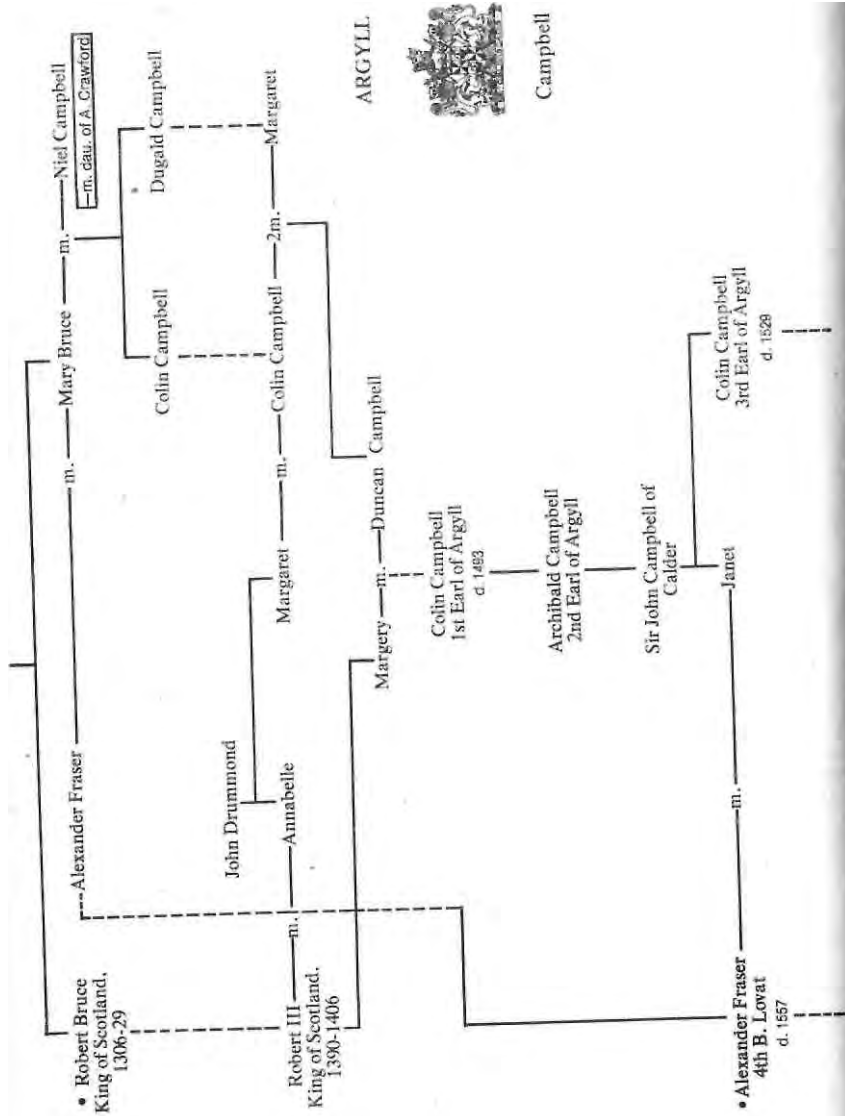
U-, under-

V., vice

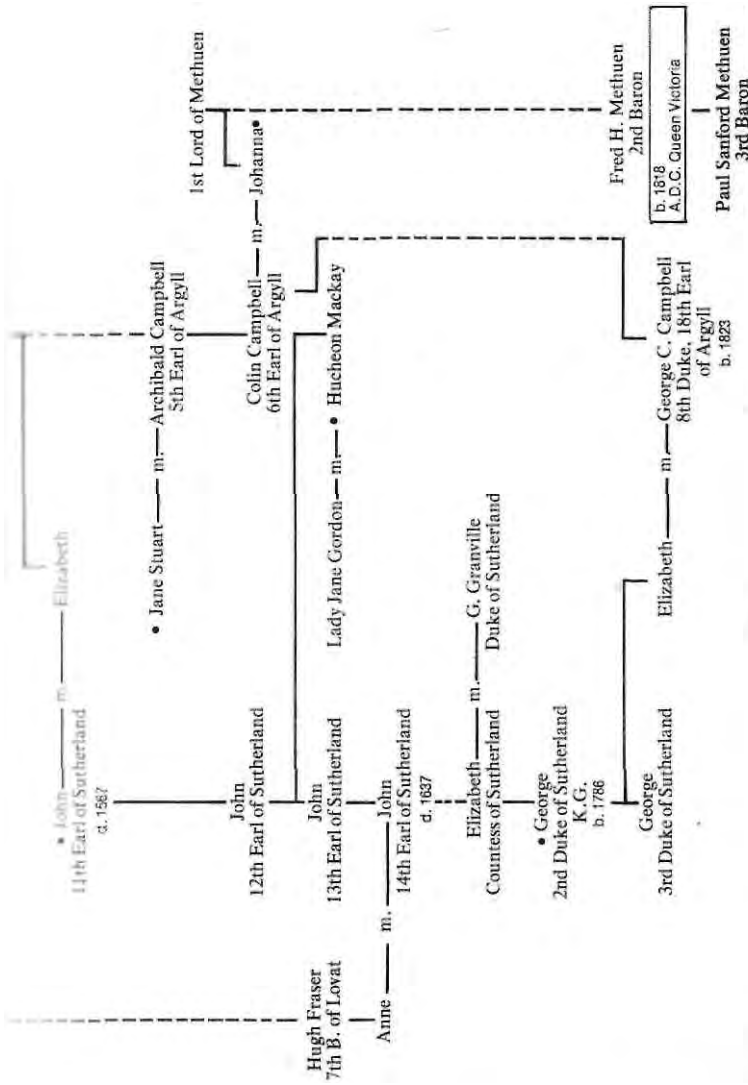
• denotes chart overlap











# MARLBOROUGH



Churchill

J. Westham Pearson  
1st Visc. Cowdray

b. 1885  
C.G. St John

Francis

Bernard

b. 1887  
Chm. BOAC 1940-43

Joan

m. Wm. Acton  
(M.D. Lazard 1944-53  
Dir. Standard Bank 1953-70  
Dir. BOLSA 1955-70)

Elizabeth

m.

Lord Gibson

SOE 1943-46  
Ctry. Chm. S. Pearson  
Chm. Pearson Ltdman  
Chm. Fin. Times, 1975

2nd Visc. Cowdray-m-Agnes

V. Ch. Conservative Pty  
1861-56  
Min. Colonial Affairs 1892-98  
Secy. State War 1906-08  
Min. Labor 1900-03  
Chm. S. Pearson

3rd Viscount Cowdray

V. Ch. Conservative Pty  
1861-56  
Min. Colonial Affairs 1892-98  
Secy. State War 1906-08  
Min. Labor 1900-03  
Chm. S. Pearson

John Churchill  
1st Duke of Marlborough

6th Duke of Marlborough

7th Duke of Marlborough

Edward Churchill

Lord Randolph Churchill  
Chancellor of Exchequer  
b. 1848

m.

Jennie

Leonard Jerome  
major shareholder, NY  
Times, Amer. Civil War

• 5th Earl of Airlie

Henry Hozer - m. - • Henrietta Ogilvy

Mil 6

Winston Churchill

b. 1874  
Ch. Exch. 1924-1929  
P.M. 1940-45, 51-55

m.

Clementine

C. St John  
Pres. Red Cross Aid to  
Russia 1939-46

Abe Bailey

John Milner Bailey

m.

Diana

2m.

Randolph

SOE, Yugoslavia

E. Duncan Sandys

Fin. Secy War Office 1941-43  
Parl. Secy, Min. Supply  
1943-44  
BBC, 1947-51  
with J. Rettinger, Euro  
Mymt.  
Min. Defense 1957-59  
Chm. Lomrho

AIRLIE



Ogilvy

• Ogilvy  
5th Earl of Airlie

Henrietta

Otto Kahn  
Kuhn, Loeb

9th Earl of Airlie  
b. 1883

V.F. Ryan — m. — 10th Earl of Airlie  
Chm. J.H. Schroder Wagge  
1973.  
Dir. Schroder Ltd. 1970.

Margaret H.M.  
(Tennant)

Angus Ogilvy  
Dir. Midland Bank

Victoria — m. —  
(Ogilvy)

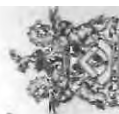
George A. Lloyd  
Secy. State, Colonies 1940-41  
K.G. St. John

A.D.F. Lloyd  
2nd Baron Lloyd  
Dir. Lloyds Bank Ltd.  
Ch. Bank of N.Z.

Samuel Lloyd

• Mary Lloyd

LLOYD



PEASE



Edward Pease  
b. 1767

Henry Pease  
b. 1837

Ebenezer Pike

Mary

Arthur F. Pease — m. —  
b. 1837  
Ld. Admiralty, 1918-19

• Mary Lloyd — m. —

Aline

3rd B. Richard T. Pease  
b. 1922  
V. Chm. Barclays Bank  
1970.

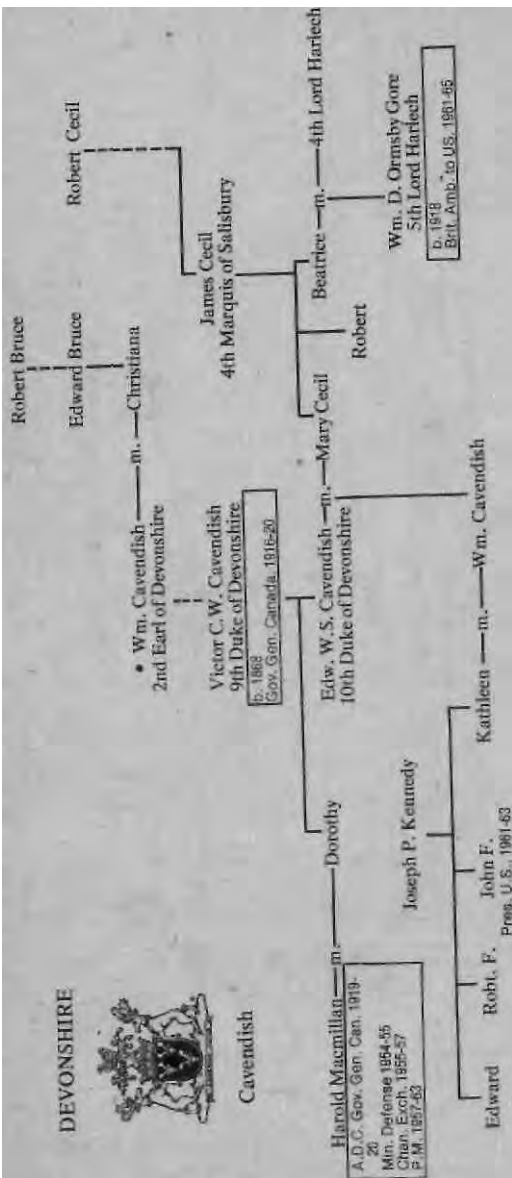
• Kenneth J. W. McKay — m. —  
3rd Lord Inchcape

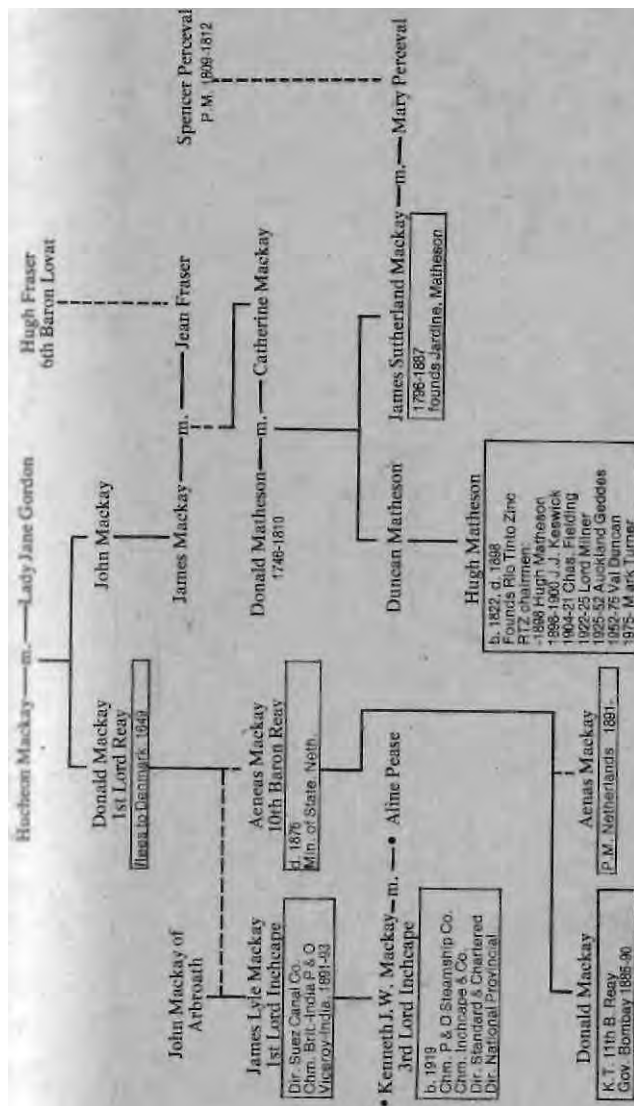
Chm. P & O Steamship  
Chm. Inchcape & Co.  
Dir. Standard & Chart.  
Dir. National Provincial

# DEVONSHIRE



## Cavendish

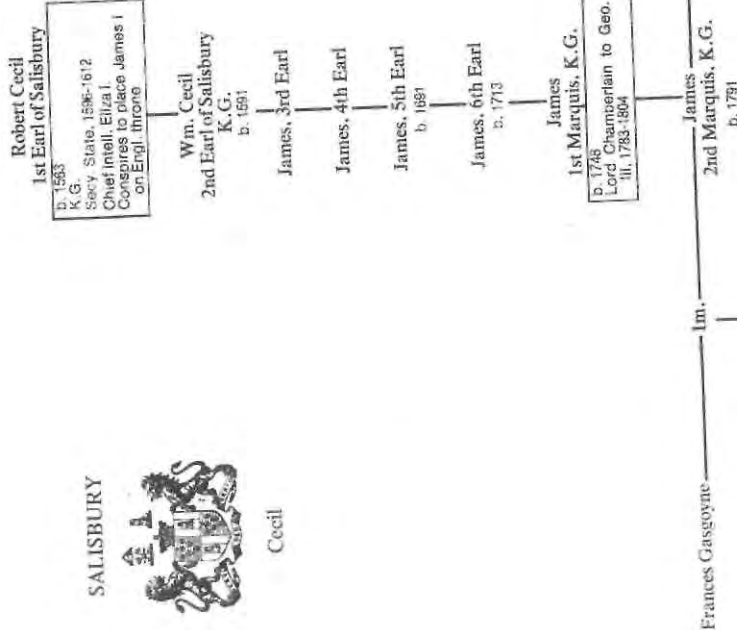


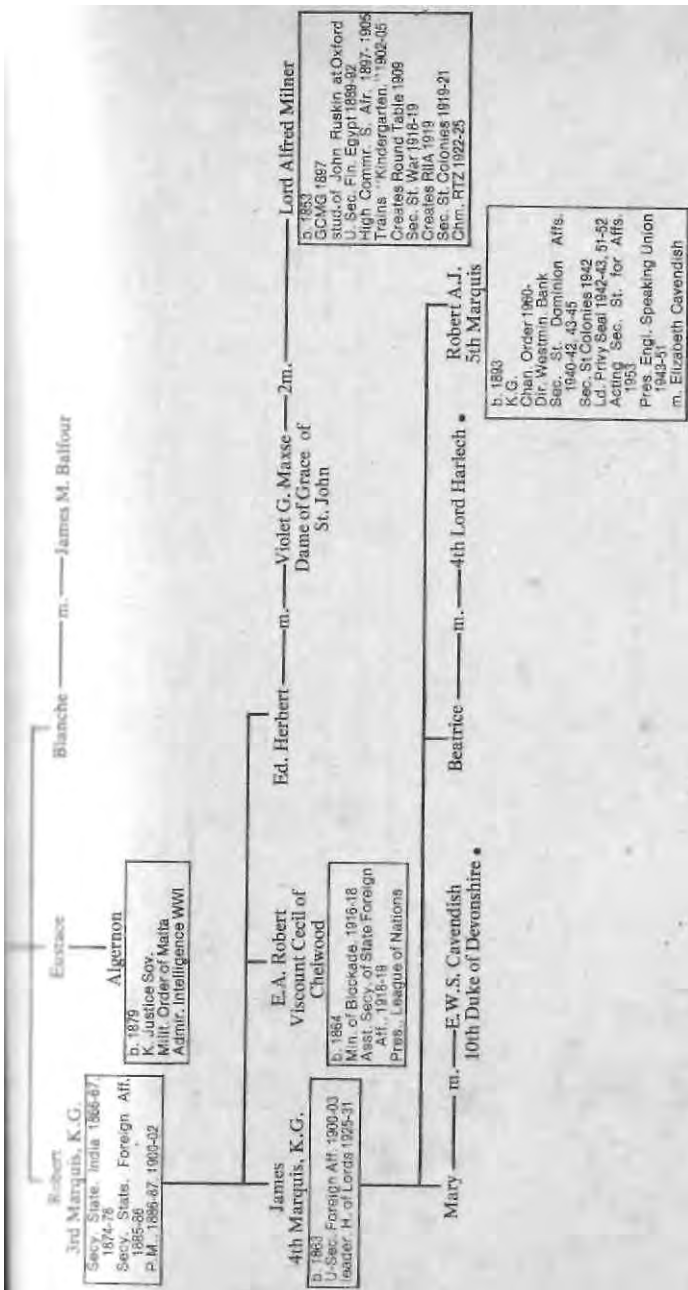


# SALISBURY



Cecil





BEDFORD

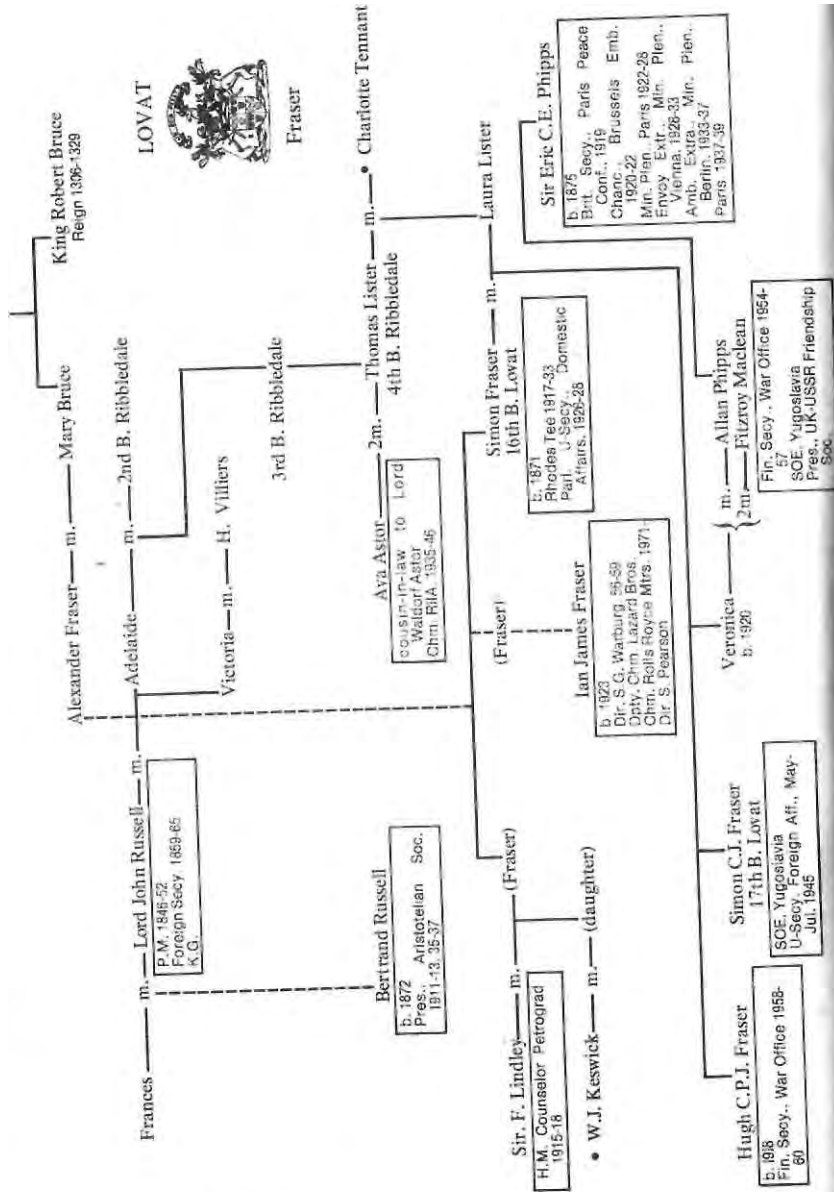


Russell

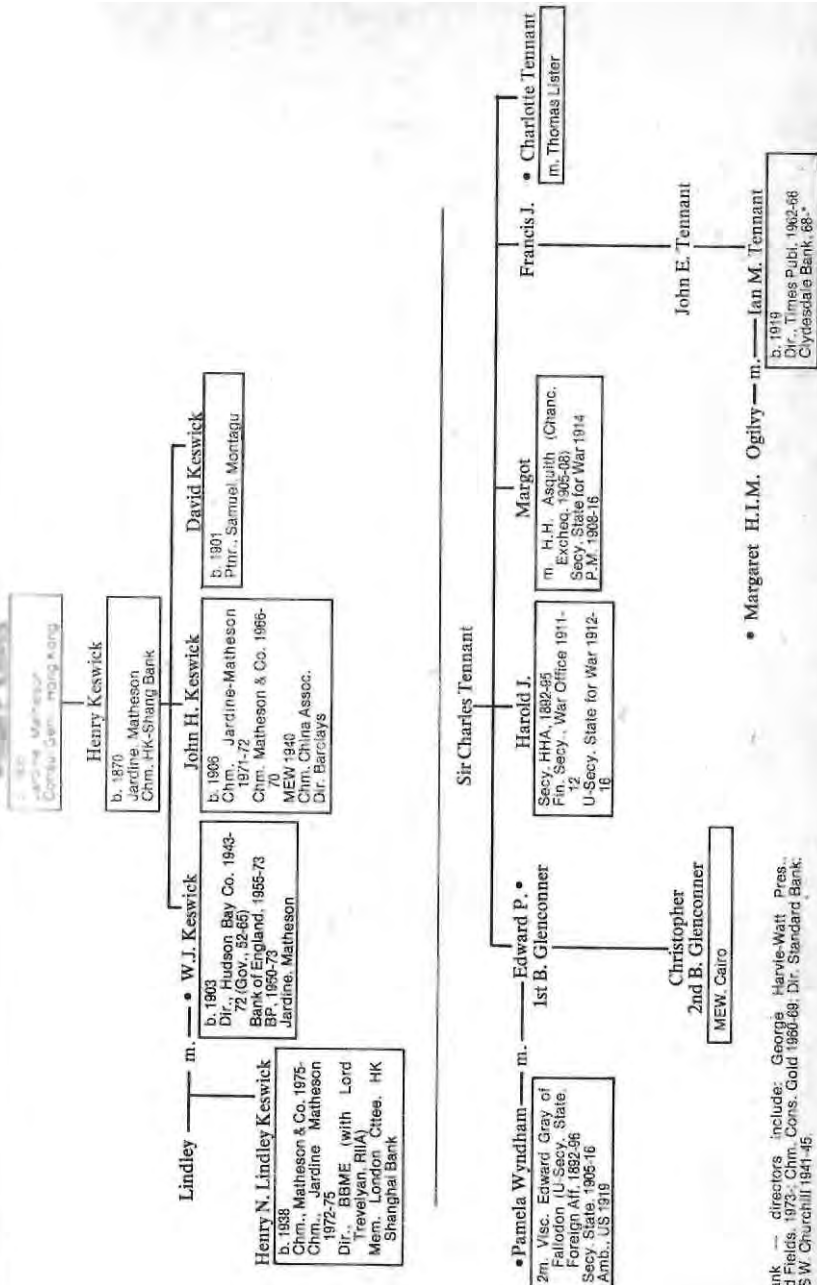
LOVAT



Fraser







\* Clydesdale Bank — directors include: George Harvie-Watt Pres., Consolidated Gold Fields, 1973; Chm. Cons. Gold 1960-69; Dir. Standard Bank, Midland Bank, PPS W. Churchill 1941-45.

Sir Rowland Lytton  
Knighthood by James I  
d. 1615

Gen. Wm. E. Bulwer — m. — Eliz. B. Lytton  
d. 1843

Duke of Wellington

Hon. R. E. Bulwer — m. — Georgiana Wellsley  
b. 1801

Edw. Geo. Earle  
Lytton Bulwer-Lytton  
1st Baron Lytton

1803-1873  
Author: Last Days of Pompeii, 1834; Rienzi, 1835  
Vind. The Coming Race, 1871  
Colonial Minister, 1858-59



LYTTON

Edward R. Lytton — m. — Edith Villiers  
1st Earl Lytton  
b. 1831  
Viceroy, Gov. Gen., India  
1876-80  
Amb. Extr., Plen., France  
1887-91

Sister of 4th Earl of  
Clarendon

Victor A. G. R.  
Bulwer-Lytton  
2nd Earl Lytton

b. 1876  
K. St. John, K. G.  
Commis. of Propaganda  
France 1918  
Civ. Ld. Admiralty 1915-17  
15-20  
Viceroy India 1925

Margaret  
b. 1925

— m. — Cameron F. Cobbold  
1st Baron Cobbold  
b. 1904  
Gov. Bank of England, 1949  
81

• 9th Duke of Devonshire  
b. 1865

7th Earl of Dunmore

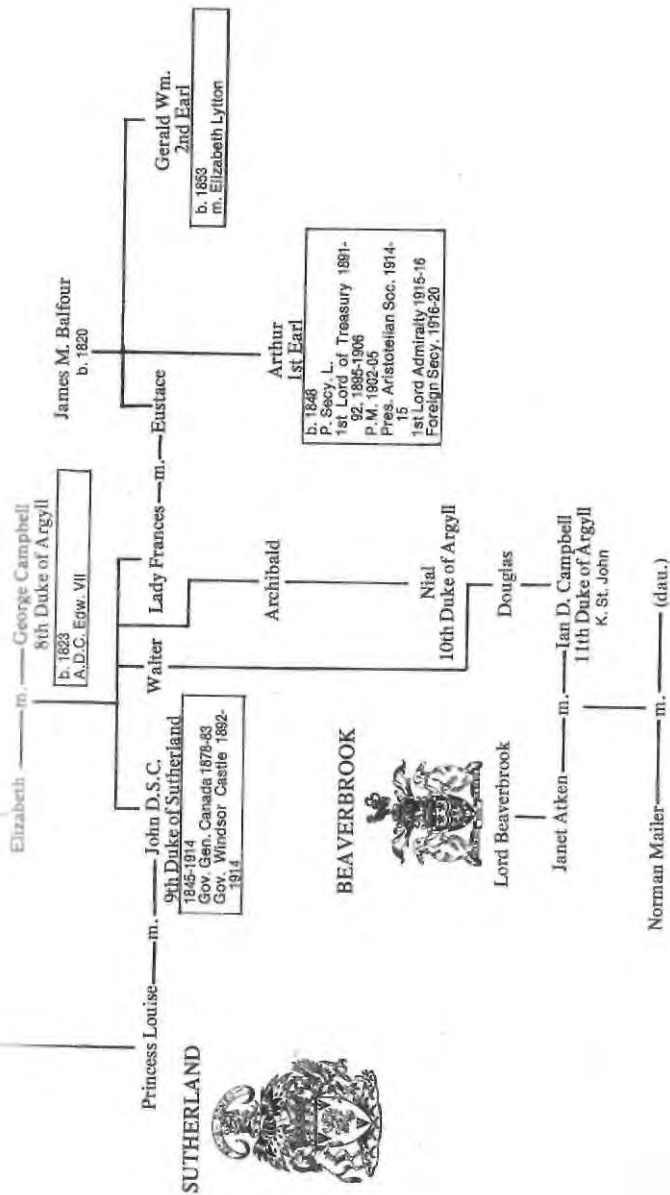
J. D. Cobbold — m. — Lady E. Cobbold

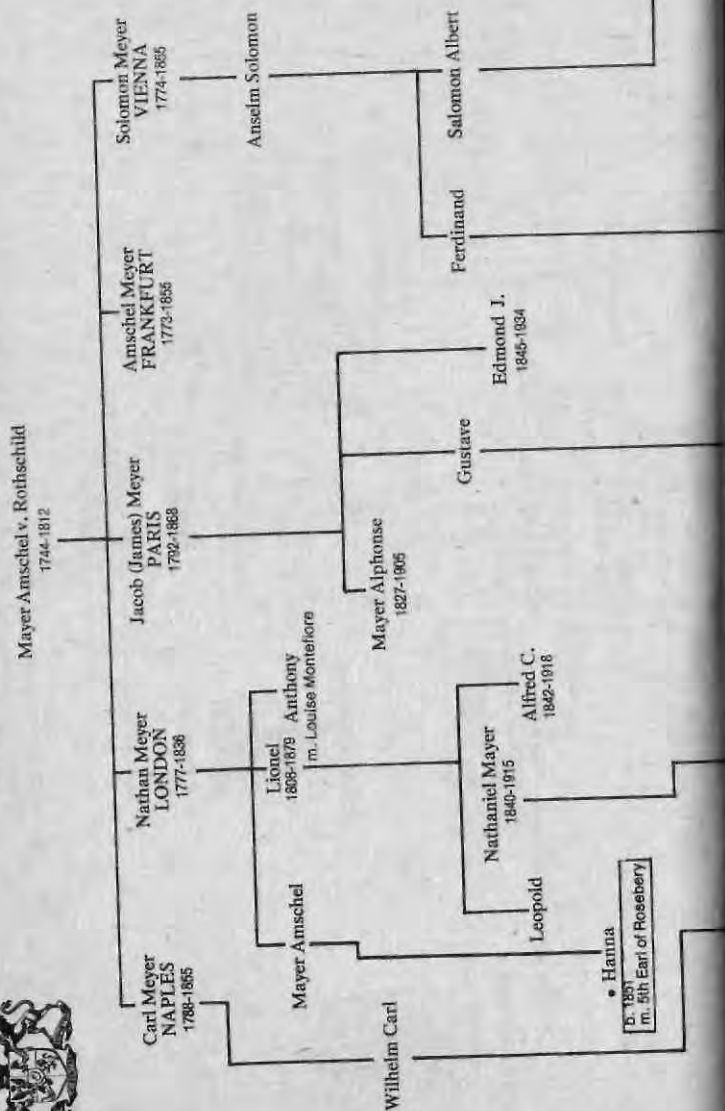
(daun.) — m. — John Cobbold

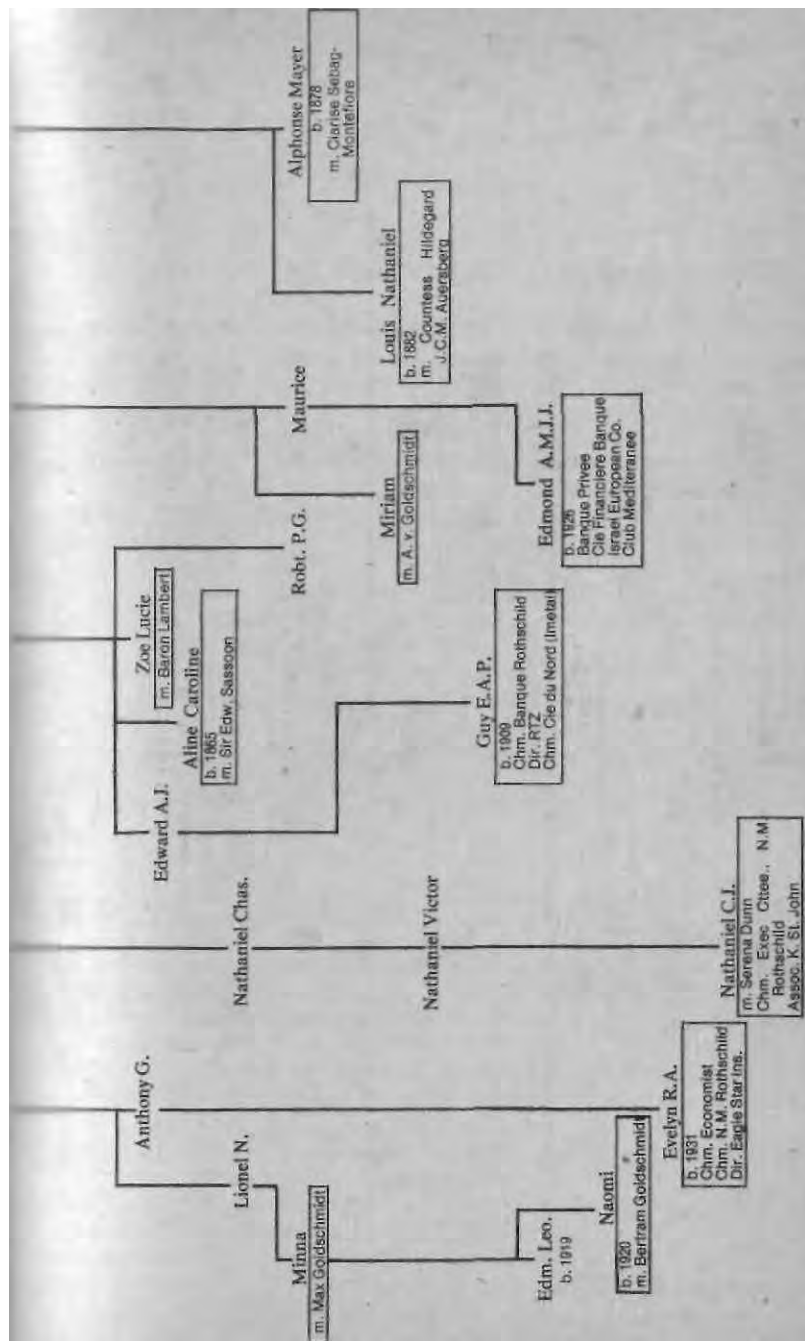
Pamela

— m. — Sir Chas. Hambro

Head, SOE 1942-  
M.D. Hambro Bank  
Dir., Bank of England 1929-  
83







Archibald I. Primrose  
4th Earl of Rosebery  
b. 1783

Archibald P.  
Lord Dalmeny

Constance Primrose

Baron Leconfield — m. —

Percy S. Wyndham

supporter of 4th Party led  
by R. Churchill, A.  
Balfour; toppled  
Gladstone, 1895

Edw. Gray  
Visc. of Falkland

Baron Glenconner — m. — Pamela Wyndham — 2m. —

\* Archibald Philip Primrose  
5th Earl of Rosebery

1847-1929  
Secy. of State, Foreign Aff.,  
1894, 1902-94  
P.M. 1894-95  
Rhosnes Tee, 1902-17

6th Earl of Rosebery  
b. 1882

George Geddes

d. 1840  
Hudson Bay Co. agent in Scotland

\* Eric Campbell Geddes

b. 1876  
Dpy. Dir. Gen. Munitions  
Supply 1915-16

Anthony Read Mackay  
Geddes

b. 1912  
Dir., Shell Transport &  
Trading, Midland Bank Ltd.  
Chm., Dunlop Holdings  
1973, 1974, Council 1975-80

Auckland C. Geddes

b. 1879  
Chm. RTZ 1925-52

Irvine C. Geddes

b. 1882  
Dir., Orient Steamship Co.  
BOAC

Ford I. Geddes

Chm. P&O Steamship 1971-72 (Dpy. Chm., 68-71, Dir. 60-72)

# Notes

## 1. BANKING AND THE WORLD'S BIGGEST BUSINESS

1. Based on interviews with Drug Enforcement Administration sources. The typical deviation from the price trend resulted from the importation of several kilograms of high-grade number four (85 to 95 percent pure) heroin from Vietnam by individual returning soldiers, who would attempt to start their own distribution chain. Such incidents stood out because the novice distributor tended to dilute the heroin too little — often distributing heroin at 30 percent purity and above, rather than 5 percent purity, the normal dilution. The free-lance pusher would therefore occasion an extraordinarily large number of drug overdoses, enabling the authorities to spot him quickly.
2. The 700 ton figure is also used by the most widely circulated sources on the subject, e.g., Alfred McCoy et al., *The Politics of Heroin in Southeast Asia*, (New York: Harper and Row, 1974).
3. The New York Times, January 20, 1971, p. 1.
4. According to Drug Enforcement Administration estimates.
5. The \$40 billion figure is almost certainly an exaggeration; it does not count attrition of the marijuana crop because of Colombian or U.S. government counteraction. Since Colombia is the primary supplier of the American market, the likely figure is half that.
6. Euromoney (London), April, 1978.

## 2. FROM OPIUM TO DIRTY MONEY

1. The \$100 per pound initial price is slightly higher than most estimates cited in studies which date back to 1971 or earlier. Since the opium price is principally measured in terms of gold, it is fair to assume a substantial increase since 1971 when gold went for \$42 an ounce. The \$100 figure is conservative, assuming that the raw opium price has doubled in reflection of local inflation. But if the opium price has risen in tandem with the gold price, the figure is much higher.
2. Calculated on the basis of price markups as reported by law enforcement sources in interviews with the authors.
3. The estimate was derived from the following calculations: At the 1971-72 peak of heroin production in the Golden Triangle, much of which was intended for American soldiers in Vietnam, 21 refineries were in operation; since then the number has declined. Assuming that ten are still in operation, and that the annual output of each is equivalent to the 3,000

kilograms of heroin seized in one major bust on record, then they produce roughly 30,000 kilograms a year of heroin, derived from about 300 tons of raw opium.

4. Richard Deacon, *The Chinese Secret Service* (New York: Ballantine Books, 1976), p. 447.

### 3. HOW THE DRUG TRADE IS FINANCED

1. London Financial Times, April 24, 1978.

2. Ibid.

3. A close examination of the price markup structure of the Golden Triangle's primary wholesalers demonstrates that the increased prices at various stages merely account for substantial additional expenses, including the livelihoods of an inestimable number of Thai and Burmese policemen and customs officials. The real profitability — the enormous profits associated with the traffic — depends on the process of cutting the pure heroin into "decks" of street quality for sale in the West. The profits of the Hong Kong syndicates who wholesale heroin are not accrued through the difference between primary and secondary wholesale prices, but as a percentage of the profits obtained through distribution of the drugs in the West. In other words, the Hong Kong networks are directly represented in the Western "organized crime" segment of Dope, Inc. and take their cut in the form of a reflow of the retailing profits. Scattered bits of evidence — the most prominent of which is the activities of the expatriate Chinese community in Vancouver — indicate that this is, in fact, how these syndicates operate.

4. The authors obtained briefings concerning — but were not able to see — classified dossiers on Tejapaibul and Sophonpanich in the possession of the American, Malaysian, and Thai governments. As noted below in the text, they are "cut-outs" for the Hongkong and Shanghai Banking Corporation. Tejapaibul, whose bank handles most of Thailand's chemical imports, developed the Golden Triangle's major source of acetic anhydride, the chemical required to refine opium into heroin, through a Hong Kong subsidiary of the Bangkok Metropolitan Bank.

5. Certain aspects of the expatriate Chinese activity antedate the British. The relationship between Ch'ao Chou Chinese merchants and the Thai royal family, for example, dates back several centuries. The predominance of Chinese compradors in the region, however, dates to the turn of this century.

6. W. J. Cator, *The Economic Position of the Chinese in the Netherlands Indies*, p. 97-98.

7. Victor Purcell, *The Chinese in Malaya*, p. 189.

8. William Skinner, *Chinese Society in Thailand: An Analytical History*, p. 140.



9. International Currency Review, Vol. 10, No. 4, p. 145.
10. M. A. Andreyev, *Overseas Chinese Bourgeoisie — A Peking Tool in Southeast Asia* (Moscow: Progress Publishers, 1974), p. 30.
11. V. Thompson, R. Adloff, *Minority Problems in Southeast Asia* (Stanford: Stanford University Press, 1955), p. 13.

#### 4. BRITAIN'S GOLD AND DIRTY DIAMOND OPERATIONS

1. Andreyev, *Overseas Chinese Bourgeoisie*, p. 120. In contrast to many Soviet publications on the subject, the Andreyev book is a scholarly monograph through nine-tenths of its extent, using quotations from Western sources for most of its material. The propaganda factor is comparatively small. Apart from the fact that it is a good survey of Western literature on the subject, there is a special feature of this short work that indicates its value to the investigator. The work is a classical example of careful Soviet "surfacing" of their on-the-ground intelligence reports, in such form as to make the conclusions politically useful, without compromising their operations. The clear intent of publication of the work is to put some heat on Chinese intelligence operations in the Far Eastern theater. The occasional "zingers" Andreyev includes, such as the report of Chinese import of gold through the Golden Triangle, are intended for a small professional audience in other intelligence services. To the extent the authors were able to cross-check Andreyev's facts with Western sources, they have checked out. Therefore the authors believe that the Andreyev work is an acceptable reference source.
2. Timothy Green, "Other World Markets," speech at the Gold Conference of the London Financial Times and Investors Chronicle, The London Hilton, October 24, 1972.
3. Paul Ferris, *The City* (London, 1951).
4. H. R. Reinhart, *The Reporter*, July 22, 1952.
5. Andreyev, *The Chinese Bourgeoisie*, p. 120.
6. Reinhart, *The Reporter*.
7. This information is a byproduct of a U.S. Labor Party counterintelligence investigation of the operations of the Israeli intelligence agency, Mossad, for which Jarecki appears to be a "bagman." The details were cross-checked with law enforcement officials.
8. According to interviews with leading diamond traders in New York.

#### 5. HONG KONG: THE WORLD'S DRUG CAPITAL

Virtually all published sources identify Hong Kong as the world's center for transshipment of opiates from the Far East, and even as the center for heroin refining. For the most part, these admissions —

encouraged by the local British authorities — are in error. In fact, heroin is refined in the triborder area of the Golden Triangle itself. Once in the compact form of heroin, the drug may be shipped by air, through individual couriers using a multiplicity of different routes. It need not pass through Hong Kong at all, although Hong Kong is possibly the most important of these various routes, and may conduct significant refining operations. The British admissions concerning refining and transshipment of opium and heroin tend to distract the investigator from the more important issue: that Hong Kong is the financial center for the Far East drug trade, and hence the point of control for the Golden Triangle.

The most recent American congressional investigation into Hong Kong, in 1973, wrote:

The British Crown Colony plays a major role in the trafficking and refining of narcotics which originate in the "Golden Triangle":

- 1) It serves as a major target for the production area;
- 2) The criminal syndicates behind the Southeast Asian drug traffic are based in Hong Kong;
- 3) It serves as the refining center for "Golden Triangle" opium and morphine base; and
- 4) It is a major transshipment point for heroin coming into the U.S. and for transshipment to our 7th Army in Germany via The Netherlands.

. . . It is estimated that 48 tons of opium are smoked in Hong Kong annually and 4 tons of heroin are consumed. Local officials also estimate that 4 to 10 tons of heroin is transshipped from Hong Kong (primarily by body pack) to the United States annually, but accurate information is lacking. Ten thousand dollars worth of heroin in Hong Kong would retail for \$50 to \$60 million in the United States.

From reports we received in The Netherlands, it is also apparent that heroin is being transported by air and ship to The Netherlands from Hong Kong to supply the 7th Army in Germany. The potential for growth of these shipments is unlimited. . . .

Despite the recent steps to upgrade the enforcement effort, Hong Kong will continue to act as a funnel for heroin destined for the United States unless some fundamental changes take place.

Smuggling into Hong Kong is almost impossible to control because: 1) it is a free port and the economy of the Crown Colony is dependent upon its being easily accessible; 2) many drops are made outside of the jurisdictional waters of the Crown Colony; 3) personnel are not adequate; and 4) intelligence is lacking.

Since Hong Kong is a free port, there are no regularized customs inspections. Also, most goods coming into Hong Kong are in sealed containers. The Preventive Force, as a result, must rely primarily on tips to conduct searches. The searches, however, are only of

vessels entering the harbor; not those leaving which could be transmitting narcotics to the United States, The Netherlands, or other points.

A major obstacle, also, is the lack of cooperation from the People's Republic of China. Many of the drops are made in Chinese waters because the Chinese do not police their coasts for narcotics. We were told that a Chinese vessel will ignore a trawler smuggling narcotics. Moreover, since the British in Hong Kong are naturally sensitive to their relations with the People's Republic, they carefully observe territorial waters and are careful to avoid appearances that a crackdown on traffickers is a vendetta against the Chinese. ...

The British in Hong Kong are also reluctant to recognize the severity of the problem evidenced by the increasing availability of narcotics, and to, correspondingly, take action. For instance, most officials we spoke with were "uptight" about the recent report of the House Foreign Affairs Committee which concluded that the Hong Kong Government has been lax. They also resented the fact that no one had talked to them before filing the report. (Report by Hon. Lou Frey, Jr., Hon. Peter N. Kyros, and Hon. James F. Hastings, Members of the Committee on Interstate and Foreign Commerce, Concerning Narcotic Enforcement Efforts in Hong Kong, Thailand, Burma, India, Lebanon, Greece, Turkey, France, and The Netherlands; April 1973, pp. 2-11 *passim*).

Like most such documents, this report is loaded with inconsistencies, although it contains occasional useful pieces of information. One such item concerns the Hong Kong police force's most successful means of discovering illicit heroin, noting that police "found drugs concealed in the rectums of 40 defendants referred to them by the courts in one week."

Also useful is the report that Hong Kong consumes 4 tons of heroin and 48 tons of opium (medically equivalent to 4.8 tons of heroin annually), from Hong Kong authorities. Taking this at the equivalent of 8.8 tons of heroin consumption, the figure corroborates the charge in this section that Hong Kong harbors one million drug addicts in a 5 million population. At standard 5 percent purity for street use, 1 kilogram of heroin will yield 150,000 "decks," or single doses; 8.8 U.S. tons will yield roughly 1.2 million doses. A serious addict requires more than one dose per day, so it is hard to estimate the precise number of addicts; but it is clear that the British figures, probably conservative, are in the required range.

The report that the PRC does not interfere with opiates transshipment in its territorial waters speaks for itself, as does the statement that Hong Kong serves as a base for the criminal syndicates behind the Southeast Asian drug trade. However, the failure of the Congressional investigators to cite police corruption at any point as an obstacle to narcotics enforcement in Hong Kong demonstrates how inadequate the effort was.

There is nothing in the published literature concerning the financial relationships between the Hongkong and Shanghai Bank and the Chinese syndicates; information had to be obtained from interviews with knowledgeable area sources, and compared to studies of financial market mechanisms.

1. Andreyev, *The Chinese Bourgeoisie*, pp. 146-147.
2. *Ibid.*
3. *Financial Times*, July 4, 1977, p. 24.
4. *Ibid.*
5. *Ibid.*, p. 19.
6. *Ibid.*

## 6. THE PEKING CONNECTION

Following Kissinger's 1972 trip to Peking, American public and private literature both have played down the "Peking Connection," to the point of ridiculing existing and current evidence of People's Republic of China involvement in the trade. However, an examination of these sources does not reveal a single piece of evidence that the PRC role has stopped.

The current "standard reference work" on the Far East traffic is *The Politics of Heroin in Southeast Asia*, by Alfred W. McCoy, with Cathleen B. Read and Leonard P. Adams II (New York: Harper and Row, 1972). In dismissing the claims of former Bureau of Narcotics and Dangerous Drugs chief Harry Anslinger, McCoy quotes an unnamed BNDD agent who dismisses Anslinger's accusations against Peking, saying that the People's Republic of China has no role whatsoever in the opium trade, and that Anslinger's accusations are substantiated by nothing more than Taiwanese propaganda. McCoy cites no other evidence, and merely brushes the issue aside.

In fact, McCoy and his co-authors went so far out on a limb that even sympathetic experts were forced to correct them. In a review published in the *Bulletin of Concerned Asian Scholars* in September 1973; Peter Dale Scott wrote:

"McCoy quotes U.S. narcotics officials today to ridicule the 1950s claims by then-U.S. Narcotics Commissioner Anslinger (and his government) about Communist China's 'twenty-year plan to finance political activities and spread addiction' in the United States. But McCoy subscribes to the equally dubious 'Turkey hypothesis' which replaced Anslinger's in the 1960s; namely, that all of the U.S. plague of heroin produced in the laboratories of Marseilles could be attributed to opium grown in the Middle East. McCoy even claims that

Throughout the 1960s ... the U.S. Bureau of Narcotics paid almost no attention to Asia, there were few seizures of Asian heroin and

little awareness of the colony's growing role in the international traffic. It was not until American GIs serving in Vietnam began using . . . heroin refined in the Golden Triangle region that any attention was focused on the Asian heroin trade, (pp. 223-24)

"That is an important claim," reviewer Scott continued, "and it is quite false. In 1960, as he knows, the United States officially listed Hong Kong as the first of the 'principal sources' of the diacetylmorphine (heroin) seized in the United States; and the Federal Bureau of Narcotics showed its concern by opening a branch office in Hong Kong in 1963. Anslinger himself, while transmitting KMT (Kuomintang, or Taiwanese — ed.) propaganda about a Red Chinese opium conspiracy, proved himself to be well-informed about the world-wide significance of the Northern Thailand traffice, even to such details as the roles played by a Macao financial syndicate, and a Bangkok official of the Soong Bank of Canton." Peter Dale Scott's references are to Harry J. Anslinger, "The Opium of the People's Government," in U.S. Congress, House, Soviet Total War, 85th Congress, House Document No. 227, pp. 759-61.

The accuracy or inaccuracy of Harry Anslinger's presentation is not what is in question at the moment. Rather, it is a simple point of fact that McCoy and his co-authors have no facts whatever to indicate that the PRC is not involved in the drugs traffic; and furthermore, that their treatment of U.S. authorities who presented facts implicating the PRC is wildly inaccurate. As the Scott review demonstrated, that is a matter of the published record.

Experts on the Southeast Asian theater at the time McCoy wrote simply doubt the author's integrity. McCoy had available to him a mass of documentary evidence showing that roughly half of the Golden Triangle growing area lay within the confines of Communist China's Yunnan province. He also had available a substantial portion of corroborating facts contained in this report. McCoy simply chose to ignore this evidence, or, more accurately, to attempt to refute it with unsubstantiated assertions. According to individuals who knew McCoy when he was a regular in the anti-Vietnam War movement, McCoy was in close friendly contact with North Vietnamese legations in Western Europe at the time of writing of *The Politics of Heroin* in Southeast Asia, and intended his efforts to undermine the American war effort. In that context he deliberately excised references to PRC opium trafficking. Since the PRC and North Vietnam have come to blows over the status of the expatriate Chinese comprador community in the latter country, it may be that McCoy's political judgment, rather than North Vietnamese views, were faulty on this subject. McCoy's book cannot be taken seriously as far as the PRC issue is concerned. McCoy, incidentally, does mention that expatriate Chinese syndicates are the main traffickers in the Far East, and that Hong Kong is the main transshipment center.

Typical of public sources is a Congressional investigation of 1973 which reported:

"There is no indication that the People's Republic of China is a source of illegal narcotics coming to or through Hong Kong. A former American missionary in China, now with SARDA (Society for Aid and Rehabilitation of Drug Addicts — ed.), said that since 1965 not one addict from China has appeared in Hong Kong. Prior to 1965 they arrived in droves. Arrests and seizures also evidence no Red Chinese involvement whatsoever in narcotics traffic in Hong Kong.

"It was interesting to note the reaction of the Government officials regarding the 'Chinese connection.' They thought that such statements were 'rubbish and either made out of ignorance or by individuals seeking political gain.' To say they were emphatic would be an understatement.

"When the Communists came into power in 1949 in China, they imposed the death penalty on anyone producing or consuming opiates. Users were sentenced to long terms, which included building a road toward Siberia. This was, in effect, a death penalty. Their success and continuing interest in purging addiction from their society has removed China as a major source of narcotics."

The report says further, "All officials acknowledged the fact that most of the opium or morphine base coming into Hong Kong comes from either Bangkok or the Gulf of Siam." (Report by Hon. Lou Frey, Jr., Hon. Peter N. Kyros, and Hon. James F. Hastings, members of the Committee of Interstate and Foreign Commerce, Concerning Narcotic Enforcement Efforts in Hong Kong, Thailand, Burma, India, Lebanon, Greece, Turkey, France, and The Netherlands; April 1973, p. 4).

These claims are worth examining one by one.

First, the Report does not seek to determine whether opium coming into Hong Kong from Bangkok is, in fact, of Red Chinese origin. According to our expert sources, the main PRC transshipment route southwards, through the Golden Triangle, to Bangkok.

Second,, whether or not the "former missionary" source cited is accurate, the appearance or nonappearance of drug addicts from the PRC mainland is utterly irrelevant to the issue of PRC involvement in the wholesale drug traffic. Moreover, the citation of 1965 as the end-point of PRC traffic is suspicious, since the hardest evidence of all — Chou En-lai's recorded boasts on the subject — dates from that year.

Third, the authority cited by the Congressional delegation is the Hong Kong Government itself. The integrity of the Hong Kong authorities may be judged from material presented in Section 5 of this report. The utter ingenuousness of the Congressional document cited, however, may be gauged from its enthusiasm for the Hong Kong police: "We were impressed by the desire of the Service to do a job. Their frustration was also apparent. They'll give it 100 percent, but no matter how much they try —or how good a job they do —it's just too big for them" (p. 10).

Two years after the publication of this document, the Independent Commission Against Corruption in Hong Kong made its official estimate of a \$1 billion annual rate of police bribery in the colony.

The most complete British work on the subject, Richard Deacon's *The Chinese Secret Service* (New York: Ballantine Books, 1976) merely ignores the issue, and defends PRC motivations! He argues, "If opium could be introduced into a country that did not wish it in peacetime by a so-called civilized Western Power, with the connivance of its Government, how can the British adopt an outraged critical tone towards China for copying her own tactics, not by having opium forcibly imported this time, but by exporting the stuff to try to check such a war as that in Vietnam, which threatened to go on indefinitely. . . . Can one blame China, however intrinsically disgusting the tactic may be, for manipulating an 'opium war in reverse'?" (p. 441).

Deacon does admit, "Many nations and many individuals are in the drug game solely for sordid commercial gain. It is essentially an international problem, but that should not blind one to the fact that only in the hands of the Chinese Communists has it been used almost solely as a subversive weapon and for financing, by an opium war in reverse, a great many of their espionage operations."

After 1972, American officials accepted the official line that China had ceased to be an exporter of opiates, although they never liked it. A case in point was Gen. Lewis W. Walt, a retired Marine Corps officer who became the chief investigator for a set of hearings on "World Drug Traffic and Its Impact on U.S. Security" (see note 27 below). On September 14, 1972, Walt states, "The official U.S. position today is that we have no evidence that opium or opiates are coming out of Communist China." However, a specialist familiar with the intelligence reports that made up the raw material of Gen. Walt's briefing to the Subcommittee, said, "It is highly significant that he used the word evidence, rather than information. That is an intentional dodge. He is playing a word game: evidence is a legal term, and may exclude information. Had he used the word information, he would have had to explain away a couple of hundred reports coming in at the time."

Walt continued, "There can be no question that large quantities of opium were coming out of China in the 1950s and early 1960s. . . . The Director of British customs at Hong Kong also told us that they had no evidence that opiates were coming out of China. On the other hand, he informed us frankly that they were not looking for evidence — that, for political reasons, they do not search ships or cargo coming out of mainland China. An identical situation prevails in Portuguese Macao."

1. Heikal, Mohammed Hassanein, *The Cairo Documents* (Garden City, N.Y.: Doubleday and Company, 1973), pp. 306-307.

2. The significance of the investment, which occasioned widespread com-

mentary in the Western press, is not so much the novelty of the joint-venture format, but the surfacing of longstanding business relationships between Jardine's and the PRC.

3. London Financial Times, July 4, 1977, p. 20.

4. Interviews with law enforcement officers. Law enforcement authorities suspect, but have never proven, that the Shaw Brothers' international film distribution network also conduits narcotics.

5. Deacon, *Chinese Secret Service*, pp. 437-438.

6. In 1949, according to recently released American diplomatic cables, the newly formed PRC was happy to permit Britain to retain control over Hong Kong for the same reason.

7. *Management Magazine* (South Africa), December 1975. The Rennie and Matheson families' relations go back much further than the recent merger of business operations. They are intermarried through the Ogilvie family, which is itself intermarried with the current British royal family. The Rennies are core members of the British establishment in South Africa. For example, relative Julian Ogilvie Thompson is a member of Anglo-American Corporation's three-man operating committee (see Section 4 for details on Anglo-American's role in dirty money operations). The Rennies show up prominently in British diplomatic and military posts throughout Africa and Asia, e.g., Sir John Shaw Rennie was Governor and Commander in Chief of Mauritius (1962-68), and Sir Gilbert McCall Rennie was Governor and Commander in Chief of Northern Rhodesia in 1952.

8. *The Economist*, September 2, 1978.

9. The authors benefited from an unpublished letter, "Jardine's Octopus in Southern Africa; Rennie's Consolidated Holdings," by David Cherry of the Africa staff of Executive Intelligence Review.

10. Peking's influence on the international gold market has been the subject of considerable commentary in the financial press; during 1977 the Bank of China suddenly released about 80 tons of gold onto the international markets, a move which commentators believed depressed the gold price. What commentators were then at a loss to explain is how the PRC, which runs a chronic balance-of-trade deficit, was able to obtain the gold in advance of selling it off. Peking's role in the gold-related aspect of opium financing provide some explanation.

11. *International Currency Review*, Vol. 10, No. 4, p. 146.

12. Harry J. Anslinger, *The Murderers* (New York: Farrar, Straus, and Cudahy, 1961).

13. "World Drug Traffic and Its Impact on U.S. Security," Hearings before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary, United States Senate; 92nd Congress, Second Session; Part 3, *The International Connection*; September 13, 15, 1972, p. 101.

14. Haikal, *Cairo Documents*.



15. Anslinger, Murderers.

16. Harold Chang, "U.S. Sanction Threat to HK Over Drugs," South China Morning Post, August 18, 1977.

17. Ivestia, February 17, 1978 (article by Bandura based on an article in the Japanese weekly, Shukan Bunshun, by N. Otiai).

18. According to interviews with Far Eastern and Soviet specialists, the figure Liternatura cited was "laundered" through a series of different Soviet conduits and publications during the 1960s, in a form typical of Soviet "surfacing" of hard intelligence for more general consumption. This particular report is taken much more seriously by Western specialists, than, for example, Soviet claims that the PRC at one point had 35,000 tons per year annual opium production — enough dope to keep the entire U.S. population addicted.

19. Reported in the Indonesian journal Buana Minggu, December 12, 1972. Many similar reports came through during the same period, including the following item from Indonesia as reported in the December 29, 1970 issue of Foreign Broadcast Information Service Daily Report:

Djakarta — The weekly CHAS has signaled the possibility that Adjitorop, former Brigadier General Suharjo, and other elements of remnants of the G-30-S/PKI who lived in communist China, the Soviet Union, or other communist countries, continue to operate in Indonesia. According to CHAS, they often come to Singapore using foreign passports and fake names and disguised, because of Singapore's proximity to Indonesia.

In view of the great risk of capture by Indonesia state agencies, these elements use Singapore for their subversion against Indonesia. The attempts to crush the Indonesian republic by remnants of the G-30-S/PKI also depend on assistance from and subversion by the above states.

This was the observation of a correspondent of the weekly CHAS who recently visited Singapore, North Sumatra, Riau, and West Kalimantan.

According to CHAS, Indonesia is one of the targets for subversion by communist China in fighting the Soviet Union and its allies, and in the struggle between the communists and the West.

To attain their purpose, all sides employ all kinds of methods to mobilize local forces, which in the current new order oppose and undermine the Indonesian republican government overtly and covertly. Among these forces are remnants of the G-30-S PKI and groups which are defending the political principles of the old order.

In launching its subversion, communist China conspicuously combines trade activities with the dissemination of communist ideology and instigation to rebel against the Indonesian government, CHAS concluded.

20. U.S. intelligence agencies had the same problem with the Ch'ao Chou element in the Chinese Communist Intelligence Service that Japanese interpreters had with American radio dispatches during World War II; American military forces employed Sioux and other Indians for certain classified radio transmissions, for which the Japanese had no interpreters. The entire American government had, during the early 1970s, only two employees capable of translating the Ch'ao Chou dialect. How extensive this network is, therefore, remains a matter of mystery. One disturbing feature of the New York City incident is that the Ch'ao Chou contact had with him the business card of the local Ch'ao Chou fraternal association in New York's Chinatown (See Note 3, Section 3).

Virtually the only published source indicating the Ch'ao Chou operation is John Le Carre's *The Honourable Schoolboy* (New York: Alfred A. Knopf, 1977). Its leading character is Drake Ko, supposedly a Hong Kong kingpin of narcotics traffic with an Order of the British Empire and a brother in the Chinese Politburo. "They'd come up from Swatow, the two of them," a Le Carre character remarks of Ko and his brother. "They were boat people, Chiu Chow." Le Carre's novel, according to highly informed sources, is a straight roman a clef from the files of British intelligence; most of the individual characters are scarcely disguised real figures in the Far East drug traffic and mercenary scene. The book's apparent intent, to portray fictionally the replacement of British intelligence-power in the Far East by the CIA's, is patent nonsense. The interesting question is how Le Carre became so well-informed; his acknowledgements are to British intelligence and police sources.

21. Daniel Insor, *Thailand: A Political, Social, and Economic Analysis*, (London: 1965), p. 135.

22. A. Doak Barnett, *Communist China and Asia* (New York: 1960), p. 186.

23. *The Chinese Bourgeoisie*, p. 67.

24. *Ibid.*, p. 154.

25. *Ibid.*, p. 120.

26. *Ibid.*

27. Statement of Gen. Lewis W. Walt, before the Subcommittee to Investigate Administration of the Internal Security Act and Other Internal Security Laws of the Committee of the Judiciary, Hearings on "World Drug Traffic and its Impact on U.S. Security," Part 4, September 14, 1978, p. 160. "Communist guerrillas in Thailand are in control of an important stretch of opium-growing land on the Laos frontier," Walt testified. "The most serious insurgency is the White Flag Communist Party. . . it is Peking which has armed the insurgents and trained their leader, and supports them with a China-based radio operation. Over the past year, the White Flag Communist insurgency has grown to the point where it absorbs up to 80 percent of the counterinsurgency efforts of the Rangoon government. All the armed groups in Burma, pro-communist or anti-communist, have been involved in the drug trade. . . .The area that

the Communists control is estimated at 25 percent of Burma's total (opium) production. Burma produces 400 tons of opium a year." The authors cross-checked Walt's testimony with U.S. Foreign Service officers and found the above statement to be accurate.

28. Apparently, the relatively small city of Swatow was the center of an extraordinary prerevolution network of mainland financial links with expatriates that was maintained intact after the PRC was established. The remittance agencies, based in Swatow, Amoy, and Canton, had 1,000 branches throughout Southeast Asia as of 1950. After the revolution, the PRC government transformed them into an intelligence operation, employing the agents of the remittance companies abroad for intelligence-gathering purposes. Once the external financial operations of Peking's state banks got off the ground, however, the remittance companies were merged into the new apparatus.

29. Andreyev, *The Chinese Bourgeoisie*, p. 111.

30. *Ibid.*, p. 117. Much of this is of a directly political nature. "Mention must also be made," the Soviet author says, "of the large contribution made by overseas Chinese businessmen towards financing the operation of PRC representatives in Southeast Asian countries (Burma and — until recently — Cambodia and Indonesia). Although in the given case these large contributions are spent in the countries concerned, they are neither more nor less than a clandestine form of sending foreign exchange to the PRC. In some cases local Chinese businessmen helped to finance the propaganda campaigns of the PRC embassies, the current expenses of embassies and missions and even the implementation of the economic aid agreements signed by the PRC. For example, the building of four factories in Cambodia under an economic aid agreement signed with the PRC was financed by local pro-Peking businessmen." However, Andreyev's data, the most current available, drop off at the critical period; no figures are available for the joint venture investments. The more recent picture was filled out through interviews with American and Southeast Asian specialists on PRC external finances.

## 7. THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS

1- John Flint, Cecil Rhodes (Boston: Little, Brown, and Co., 1974).

2. U.S. State Department, *Foreign Relations of the United States, 1949*, Vol. VII: "The Far East: China."

3. Christopher Thorne, "Chatham House, Whitehall, and Far Eastern Issues: 1941-45," *International Affairs*, January, 1978. The authors were compelled to rely on this summary rather than the original documents of the Royal Institute itself. However, the Thorne article is by a member of the RIIA, and published in the RIIA's own journal, and may be considered an authoritative representation of the RIIA's views

concerning its own history. The 1977 release of RIIA papers was, unfortunately, selective. Thorne notes, "The preparation of this article was greatly facilitated by a grant given to the Royal Institute of International Affairs by the Leverhulme Trust, which enabled the Institute to put its archives in an order more readily accessible to researchers. With the exception of papers dealing with the internal affairs of the Institute, those archives more than thirty years old are now open to bona fide research workers." The RIIA, of course, decides who is or is not bona fide.

4. State Department, Foreign Relations, pp. 1289-92.

5. Chou En-lai represented the CP in its "United Front" in Chungking with the Kuomintang during these years.

6. Thome, "Chatham House," p. 20

7. Peter Vladimirov, *Vladimirov Diaries*, (Doubleday & Co.: 1976).

8. Thome, "Chatham House," pp. 4-5.

9. Ibid.

10. The ties of Ronning and Endicott to China go back very far and have served as a crucial contact between British policy and the PRC. Endicott was born of missionary parents in China in 1899, and worked there as a Methodist minister for many years. By the time of the 1927 Shanghai massacre of communists by the KMT, Endicott admitted in a discussion that he was already working as an advisor to Chiang Kai-shek. In the early 1940s Endicott underwent a "Damascus Road" transformation to Marxism and became a supporter of the CCP. He became close to Chou En-lai during this time. Following his return to Canada, Endicott formed a newsletter which reported on the PRC and was a founding member of the Norman Bethune College at York University, working closely with Chester Ronning.

Ronning, also born in China of missionary parents, was in the Royal Canadian Air Force Intelligence during World War II. With the end of the War, Ronning became a Canadian foreign officer in China, during which time he developed close relations with CCP leaders, especially Chou En-lai, and current PRC Foreign Minister Huang Hua. Ronning argued strongly for Western recognition of the PRC after 1949, as did the leaders of the Far East Group of the RIIA, and was recognized as a friend by PRC leaders. Ronning served as translator for Huang Hua, who was the official spokesman for the PRC in the aftermath of the Communist victory. When China began diplomatic openings to the West in the early 1970s, Canada was one of the first countries chosen for normalization. Ronning's friend Huang Hua was the PRC's first ambassador to Canada.

Investigations have shown that both Paul Lin and Endicott maintain extensive ties to Canadian Maoist organizations, and through them, to international terrorist organizations. Ronning is known by professional intelligence officers to play a higher "coordinating" role at the government level of terrorist deployment; Endicott and Lin handle the

"field work" with the Maoists. (The information here is derived from team interviews with Endicott himself and associates of Paul Lin.)

11. Thome, "Chatham House," p. 27.

12. State Department, Foreign Relations, pp. 1289-92.

13. Ibid.

14. Christopher Wren, New York Herald Tribune, January 16, 1948.

15. State Department, Foreign Relations, pp. 1289-92.

16. U.S. Senate, Committee on the Judiciary, 82nd Congress, First Session, Subcommittee on Internal Security, Hearings on the Institute for Pacific Relations, Part I.

17. State Department, Foreign Relations, pp. 331-332.

18. U.S. Senate, Hearings on the Institute for Pacific Relations, Part I.

19. Ibid.

## 8. CANADA: NORTH AMERICA'S HONG KONG

Most of the source material from this section came from analysis of bank and corporate annual reports and Who's Who entries; a simple cross-correlation of such information produced an unbroken trail of dope and dirty money from the Far East, through Canada, into the United States. The business, legal, and accounting relations noted here are all a matter of public record. In addition, the authors interviewed several former and serving Canadian and American law enforcement officers, who have had Walter Lockhart Gordon and his Canadian "China Lobby" under scrutiny for years.

1. An egregious example of British intelligence activity in Canada is the formation of the British Newfoundland Corporation (Brinco) in the early 1950s. This project was planned by Winston Churchill, the Rothschilds, and Newfoundland's Premier Joseph "Joey" Smallwood, a Master Scottish Mason. According to Virginia Cowles's book on the Rothschilds (1973):

In 1951 shortly after Winston Churchill had become Prime Minister for the second time, he received Mr. Smallwood, the Premier of Newfoundland. Smallwood unfolded plans for a vast development scheme in Labrador and Newfoundland. To carry it out British capital was needed on a truly mammoth scale. . . . When the consortium of firms was formed (Churchill) was delighted that N. M. Rothschild & Sons should head it.

Participation in the founding of Brinco included the leading firms involved in Dope, Inc., including Morgan, Grenfell, Kleinwort and Sons, Rio Tinto Zinc, Anglo-American Corp., and Prudential. Cowles adds, "Brinco's terms of reference were breathtaking: the exploratory right to

sixty thousand square miles in Newfoundland and Labrador, an area larger than England and Wales. . . ."

In Smallwood's autobiography (New American Library, 1973), he identified himself: "In 1967 (I) enjoyed immensely the distinction of being installed in office (as Master Mason) by the Grand Master Mason (Scottish Constitution) Lord Bruce, who came from Scotland especially for the purpose. So I met the direct descendant of King Robert the Bruce. Proud? Oh, yes."

Brinco's board of directors today includes Mark Turner, the chairman of Rio Tinto Zinc, former member of the RIIA Council; Edmund de Rothschild, the president of N. M. Rothschild and Sons; and Sam Harris, the New York lawyer who is a director of Rio Tinto Zinc and whose law firm represents RTZ as well as the Kaplan Foundation, a funder of environmentalist groups. In court papers filed by the Westinghouse Corporation, Harris was named a conspirator in a plan to raise artificially the price of the world's uranium 800 percent during the 1970s.

2. This piece of information was an incidental product of a Labor Party countersurveillance operation against a number of individuals associated with the top management of Drexel Burnham Lambert.

3. A. J. Colin, *Pro-Consul in Politics* (New York: Macmillan, 1964).

## 9. ALL IN THE FAMILY: THE REAL SYNDICATE

1. The cult of Isis was developed in ancient Egypt no later than the Third Dynasty of the Old Kingdom, approximately 2780 B.C., and represents one of the earliest formal articulations of the entropic and backward ideology of mother-worship. As known to the Priesthood of the Temple of Isis — true believers themselves — the Isis cult formalizes the elements of a capability for social control, exploitation, and destruction of creative free will in subject populations. The elements include:

- Use of various schizophrenia-inducing drugs;
- Use of repetitive, heteronomic sounds to supplement the effect of psychotropic drugs, and to create a societal aesthetic that endorses and encourages use of the drugs;
- Creation of synthetic cults based on the original reactionary Isis myth, but specific to the psychological profile of the population which the priesthood has targeted for subversion;
- Enforcement of a political-economic model antagonistic to general human progress, and containing targeted populations within non-creative, manual slave-labor projects (e.g., pyramid-building).

This combination of Pharaonic cult capabilities was taken as a model for further refinement in this century by the British Secret Intelligence Service's Tavistock Institute in London — an institution which launched the "counterculture" in the United States and Europe, based on the very

drugs, mescaline and hashish, the Ancient Priesthood had employed (see Part IV).

2. Carroll Quigley, *Tragedy and Hope* (New York: Macmillan Co., 1974), p. 131. The "Circle of Initiates" formation was explicitly modeled after the ancient Isis Priesthood.

3. R. S. Clymer, *The Book of Rosicruciae* (1947), Vol. II, p. 106.

4. See Lyndon H. LaRouche, Jr., "Is Jimmy Carter Truly a Christian?," *New Solidarity*, Vol. IX, No. 64, October 13, 1978.

5. Cited in Nesta H. Webster, *Secret Societies and Subversive Movements* (London: Boswell Printing and Publishing Co., 1924), p. 115.

6. Their father, the 7th Earl of Elgin, was famous for his theft of the "Elgin Marbles" from Greece, smuggling them to the British Museum.

7. *Dictionary of National Biography* (London: Oxford University Press, 1968), Vol. III, p. 104ff.

8. Jean de Villiershad was the Master of the Knights of St. John of Jerusalem from 1285-93, when the preparations for the slaughter of the Knights Templar were undertaken. Philippe Villiers de l'Isle Adam was the Grand Master of the Knights of St. John in France from 1521-22, and was the first Grand Master in Malta from 1530-34. Today Sir Charles Villiers, who was the managing director of J. Henry Schroder Wagg from 1960-68, is the chairman of the British Steel Corp. Sir John Michael Villiers, a Knight of St. John, was the Queen's Harbour Master Malta from 1952-54, and Lieutenant-Governor of Jersey, an offshore banking center, from 1964-69.

9. By his own testimony in various writings, Lord Russell was in periodic contact with the Communist Chinese regime and Premier Chou in particular after 1949.

10. For example, Rudolf Hess and Professor-General Karl Haushofer, ghost-writer of *Mein Kampf*; Alfred Rosenberg, Nazi Minister of Foreign Services; Max Amann, Editor in Chief of Nazi Publications; Hans Frank, Nazi Governor-General of Occupied Poland during World War II; and

several members of the Wittelsbach family (the Bavarian royal family) who sponsored much of Adolf Hitler's career. Hitler himself was an associate of the society, known as a "Visiting Brother."

11. The connection is visible in the 1866 founding of the "Masonic Rosicrucian Society" whose leaders, Mathers, Wescott, and Woodman, also formed the Isis-Urania Temple of the Hermetic Students of the Golden Dawn in 1886. The Golden Dawn group, by 1890, included the mystic poet, William Butler Yeats, former Secretary of the Theosophist Society. Aleister Crowley was the order's historian during the period of Yeats's association with it.

12. The LSD cult was a creation of the Royal Institute of International Affairs and its psychological warfare arm, the Tavistock Institute (see Part IV).

During the late 1960s — at the height of the "counterculture" and

"hippy movement" in the United States — the Director of the RIIA, Andrew Schonfield, was a member of the Tavistock Institute's Governing Council. In 1967, during Schonfield's tenure at RIIA and Tavistock, Tavistock's leading Staff Psychologist, R. D. Laing, published his book, *The Politics of Experience*, which advocated schizophrenia ("madness is the only sanity") and drug use. Laing writes:

I want you to taste and smell me, want to be palpable, to get under your skin, to be an itch in your brain and in your guts that you can't scratch out and that you can't allay, that will corrupt and destroy you and drive you mad.

During the 1960s, the Tavistock Institute received large grants from the Ford Foundation, the British Center for Environmental Studies, the British Defense Ministry, Harvard University, and at least £22,797 from the Social Science Research Council, of which Schonfield was chairman at the time.

13. See Robert Cohen and L. Wolfe, "Karl Haushofer's *Mein Kampf*," *New Solidarity*, Vol. IX, No. 45, August 7, 1978.

14. Cited in John Flint, Cecil Rhodes, p. 27.

15. Martin Fido, *Rudyard Kipling* (New York: Viking Press, 1974).

16. *Ibid.*, p. 35.

17. See Harbans Rai Bachchan, W. B. Yeats and Occultism (Delhi: Motilal Banarsidass, 1965).

18. See Lyndon H. LaRouche, Jr., "Hitler: Runaway British Agent," *New Solidarity*, Vol. VIII, No. 87, January 10, 1978.

19. Tennyson in 1820 had been a member of the "Cambridge Apostles" which initiated the Metaphysical Society in 1868-69. Other members of the Metaphysical Society included H. W. Ackland, the Duke of Argyle, Alexander Campbell Fraser, William Gladstone, Shadworth Hodgson, and Walter Bagehot. This group included prominent members of the Society for Psychical Research, *Mind* magazine, and the Fabian Society.

20. Verse 8 of the Choric Song of the poem.

21. *History of the Times*, Vol. IV: 1912-1920 (New York: Macmillan Co., 1952), p. 244. The relevant section reads:

On Jan. 19, 1917, Milner left London at the head of an Allied mission which, during three weeks in Petrograd, laid down a suitable scheme for keeping the Russian forces supplied with Western munitions. . . . It was widely believed at the time that the February Revolution (installing Kerensky — ed.) was hatched at the British Embassy.

22. After the destruction of the Knights Templar in the 14th century, the Knights of St. John appropriated the Templars' Red Cross symbol into their own iconography.



According to Ferdinand Lundberg, *America's 60 Families* (New York: Vanguard Press, 1937), p. 146ff:

The Russian Mission of the Red Cross was headed by Col. William Boyce Thompson and Col. Raymond Robbins . . . (who) used the Red Cross to forward the war aims of Wall Street in a way unsuspected by the American people. The purely political function of the Red Cross is not generally appreciated even today.

. . . Thompson and Robbins, according to their own statements, functioned in Russia as a political arm of the War Department. Their crowning achievement was the purchase of enough delegates to the All-Russian Democratic Congress (to support Kerensky — ed.). The cost of seducing this congress was \$1,000,000.

Winston Churchill's wife, Clementine, a Commander of the Order of St. John, served as the Chairman of the Red Cross Aid to Russia Fund from 1939-46. The same uses of the "Red Cross" cover for intelligence operations is implicit in the fact that a direct descendant of King Robert Bruce of Scotland, David Bruce, was the Chief Representative of the American Red Cross in Britain in 1940, and one year later, in 1941, became head of Office of Strategic Services (OSS) Operations in the European Theatre; the same David Bruce, during the Nixon Administration years, was selected by Secretary of State Henry Kissinger to be Chief of the U.S. Mission to the People's Republic of China from 1973-74, and then became U.S. Ambassador to NATO from 1974-76.

23. For example, in his April 1938 Annual Report to the Shareholders of Rio Tinto, chairman Geddes noted that:

Our company has received recently a great deal of attention in the press of many countries. Propagandists possessed of lively imaginations but devoid of respect for accuracy have told the world of our doings. In result a lot of nonsense has been published, evidently designed to suggest that your Board is composed of violent fascists actively participating on the side of General Franco. I read the other day an article in which it was stated as a fact that we had sent in a year 300,000 tons of copper to Germany and 65,000 tons to Italy to pay for supplies from those two countries to General Franco. . . . This is just rubbish. ... I have seen it stated in the press that we . . . your Board . . . "gave" . . . help to General Franco's cause. It depends on your meaning of the verb "to give."

Significantly, in 1923's Annual Report by then-Chairman Lord Alfred Milner, it was stated that "The constantly increasing burden of taxation, especially in Spain, where the (republican — ed.) government is evidently convinced that it can never kill the goose that lays golden

eggs. ..." (See David Avery, *Not On Queen Victoria's Birthday: The Story of the Rio Tinto Mines*, London, 1973, pp. 371ff.)

Auckland Geddes' grandfather had been the Hudson's Bay Company's official agent in Scotland. His second nephew, Anthony, was a member of the Governing Council of the Royal Institute of International Affairs in 1949, alongside Sir Mark Turner, Rio Tinto's current chairman. The same Anthony is a director of the Midland Bank.

PART

III

Organized Crime

# Introduction

We have now taken the reader through the production and wholesaling phase of Dope, Incorporated. We have introduced the Far East clearinghouse bank, the Hongkong & Shanghai Bank and the gold and diamond houses that with HongShang feed the black market with invisible forms of payment.

In the following pages we will concentrate on the distribution side of Dope, Incorporated's business cycle. We will first enter the Canadian board rooms where the Keswicks, the Inchcapes and their representatives brush shoulders with the wholesalers of the drug trade — the Zionist Hofjuden middlemen — whose assigned task is to ensure swift and secure delivery of that "most valuable source of revenue" to Britain's retail distributors: the mob. The Bronfman family of Canada is our leading case, since they are the top middlemen for the U.S. market which, in turn, is the richest in the world.

Beneath the respectable veneer of the Bronfmans' corporate financial empire we will uncover Dope, Incorporated subsidiaries that control the criminal underworld of North America. We will look closely at Meyer Lansky, the Marcello family, and other

"Mafia" figures and discover that like China's Green Gang, the mob is a secret army, a fifth column controlled by Britain against the United States.

We will trace the drug money to the gambling casinos and other "legitimate" enterprises that are the syndicate's indispensable storefront cover for the drug trade. From these respectable enterprises we will trace the drug money into the halls of the state assemblies, city councils, congressional offices, and into the pockets of America's contemporary Benedict Arnolds and Aaron Burrs, among whom we will find Edward Kennedy, Jacob Javits, Henry "Scoop" Jackson, and other leading lights of the Zionist Lobby. We will find tainted heroin money being funneled into Zionist organizations and from Zionist fronts back into political machines for the dual purpose of buying protection for the drug trade and shaping U.S. policy.

We will then take a grand tour through the Anglo-Dutch offshore banking centers, watching money being laundered through Basel, Liechtenstein, Tel Aviv, and the Bahamas; tracing it carefully as it changes ownership from the mob, to the Bronfmans, to British banks, to the Israeli Mossad — finally ending up in dummy corporations to finance international terrorism and a privately owned worldwide assassination bureau.

By the time we finish, the reader will have a view of organized crime that tears to shreds all the fairy tales of the drugstore novels and Grade-B Hollywood productions. The image of gangsters and thieves lurking in the dark underworld will dissipate before the fact that we are dealing with the most highly integrated, top-down political machinery in the world — one that enjoys the logistical support of a \$200 billion per annum international cartel and the "protection" of every political entity Britain has created through these vast "invisible earnings."

## The cutouts

The police investigator has a problem in trying to track down the source of the drug trade: he invariably proceeds from the

bottom up and gets lost along the way long before he reaches the level of command that counts. Every year, local police arrest thousands of street corner and schoolyard pushers, yet it is a rare occasion when any of these arrests leads to the arrest of higher up syndicate figures who ply the street trade in the first place. And these local syndicate warlords are themselves usually several steps removed from the "Mr. Bigs."

As Part II of this report demonstrated, at the top, British banking — through HongShang — controls the production and wholesaling side of Dope, Incorporated. This "outfront" activity in the Far East is protected by the legal technicality that the area is off-limits to U.S. investigative agencies. (As one experienced U.S. foreign service officer put it, "It would be easier for a white Anglo-Saxon Protestant to penetrate the Politburo of the Chinese Communist Party than it would be to gain access to the Hong Kong or Swiss bank accounts of the drug traders.") At the retail, distribution end, there is no parallel way of directly linking the British oligarchy to the drug traffic — at least not with the ordinary tools of the police trade.

One of the ABCs of any covert operation is the time-tested practice of securing middlemen — or, to use the professional expression, "cutouts" — that effectively conceal the identities of the stage managers who run the show from behind the lace and velvet curtains. From the top all the way down to the street level, Dope, Incorporated is run through layer upon layer of such cutouts.

Even in China, where the British Crown brazenly pursued its opium policy, it operated through the corrupted Soong family which carried out the day-to-day business operations for Jardine Matheson.

In the West, the prime cutout for Dope, Incorporated is the Zionist Lobby.

This cutout begins at the top with the cohesive grouping of Hofjuden ("Court Jews") who serve the British monarchy as loyal, wholly owned servants. These families, whom we will meet by name, have a centuries-long tradition of attaching themselves to the predominant noble houses of Europe, providing indispensable services as tax-farmers and errand boys for the

types of missions that the aristocrats would prefer to plan but not get caught in carrying out.

Many of these Hofjuden families migrated from Amsterdam to Britain after the "Glorious Revolution" (1688), which brought the Dutch House of Orange onto the British throne in alliance with the most bucolic, feudalist landed gentry of the Isles. That Anglo-Dutch merger of the late 17th century turned Britain into the most powerful center of the European oligarchical faction — a status it has maintained for three centuries. For these Hofjuden families, the relocation to Britain marked no shift in allegiance; they have functioned as servants for the oligarchical system, not for specific houses. Several of the Hofjuden families who converged on London during the 17th and 18th centuries had served the Genoese bankers in their takeover of Holland, had participated in the Dutch East India Company's first expeditions in opium trade, and had collaborated over the centuries with the British Jesuits against European humanist forces.

The Hofjuden should not be confused with the Jewish people. In much the same way that one would not condemn an entire nation for the crimes committed by its most deranged citizens, one cannot condemn the entire Jewish people for the centuries of crime committed by the Hofjuden. The only relationship the Hofjuden have had to Jewry is that of persecutors and tormentors. As the clandestine operations bureau for the oligarchy, they quickly learned that they could augment their capabilities tremendously by subjecting Jews to waves of persecutions and then recruiting terrorized Jews into Zionist organizations that had as their ostensible aim the "survival" of Jewry! In street parlance, the Hofjuden have run a six-century-long protection-extortion racket against the Jewish people — to the overall effect of building up a sizable "Zionist" network at the disposal of British Secret Intelligence. This traditional relationship to Jewry was carried to its lawful conclusion in the 20th century when the Rothschilds, Warburgs, Oppenheimers, Schroeders, and other Hofjuden became the leading financial backers of Adolf Hitler.

One of the greatest benefits that the Hofjuden gained by their complicity in Hitler's genocide of the East European population was that they could henceforth hide behind the memory of the

awesome fate of millions of Jews and conduct the filthiest sorts of operations — from drug-running to terrorism to genocide against Arab and related populations — without being exposed for these crimes against humanity. Whenever any critic attempted to expose these crimes, he was quickly assaulted as a "Nazi," a "fascist," or an "anti-Semite."

It is neither unrelated nor coincidental that these Zionist Hofjuden were delegated the role of cutouts between the inner circles of the British nobility and the filthiest gutters of organized crime. Even within the Hofjuden, we encounter two levels: one is the centuries-old families (the Hofjuden "elite") who rub shoulders with and are intermarried with the nobility; and the second, the "initiates" — "chosen" by the Hofjuden elite to be the drug-runners, the bootleggers, the murderers, and extortionists - who themselves hope that by slavishly serving the British oligarchy they will be placed among the ranks of the Zionist "respectables."

Within the first category, we find such "respectable houses" as these:

The Montefiores trace their origin as "special operations" experts for the European oligarchy to the 13th century in Spain, when they ran errands as tax farmers and Inquisitors for their masters, the Genoese. The Montefiores later moved to Holland to help found the Dutch East India Company and the Bank of Holland. After the Stuart Restoration of the mid-17th century, the Montefiores moved to England where they helped establish the Bank of England and the British East India Company. Under Sir Moses Montefiore, the family collaborated with Lord Palmerston and Prime Minister Disraeli in the founding of the present-day Zionist "movement."

The Goldsmids and Mocattas have been the leading bullion merchants for the royal family of England since the Stuart Restoration, predating the founding of the Bank of England. As we have seen, both families conduct a significant portion of the black marketeering in precious metals for the Hong Kong drug traffic.

The Oppenheims control a large portion of the diamond and gold mining in South Africa and are interlocked with the



HongShang Bank to provide yet another means of exchange for drug transactions.

The Canadian de Hirsch family bankrolled much of the Jewish migration from Eastern Europe to Canada and is still a bankroller of Zionist organizations.

The Sassoons were the first Hofjuden family to concentrate their resources primarily in opium production. Known as the "Rothschilds of the East," they settled in India at the beginning of the 18th century. The Sassoons relocated in 1949 to the Caribbean where they established themselves on the ground floor of casino gambling and unregulated offshore banking.

The Rothschilds began their fortune in Hesse-Cassel, Germany by supplying Hessian mercenaries to the Hanoverian King George III of Britain against the American colonies. They are "johnny-come-latelys" to the Hofjuden circle, having only seriously gained a place in the oligarchical court with the Treaty of Vienna in 1815. From that point, however, the Rothschilds have expended considerable resources toward the subversion of the American republic; they maintain an "investment" presence in Dope, Incorporated.

Immediately below the Hofjuden elite are those "initiate" families selected and sponsored to run the criminal underworld and its "legitimate" front organizations. Into this category falls the powerful Bronfman family of Canada, the Hong Kong of North America. By all accounts one of the richest families in the world, the Bronfmans are a sterling example of a family hand-picked and raised out of the gutter to become some of the best paid crooks in the world. A Bronfman illegal loan of \$350,000 to the Campaign to Re-Elect Hugh Carey as Governor of New York recently caused a public outcry, but as the story we now tell shows, the Bronfmans themselves are owned and operated by the British banking elite of Dope, Incorporated.

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# The Bronfman Gang

The Bronfman family is best known to Americans through its ownership of Seagram, the biggest liquor company in North America. The family's holdings stretch from whiskey, banking, mining, real estate, and — although somewhat less publicized — narcotics. Today they are regarded as respectable and outstanding "philanthropists" whose name is attached to everything important in Canada — and Israel — be it government, business, or "cultural" affairs.

This was not always the public profile of the Bronfman family. Less than 50 years ago, they were known to be the biggest boot-loggers in North America and were referred to by the less prestigious title "the Bronfman gang."

The Bronfmans have always been beholden to the Hofjuden elite. The first member of the family to come to North America was Yechiel Bronfman, a grist mill owner from Bessarabia, Romania, who later anglicized his name to Ekiel. Yechiel emigrated to Canada in 1889 under the sponsorship of the Moses Montefiore Jewish Colonialization Committee. (1)

This enterprise had been initiated at an 1872 meeting between

Baron Maurice de Hirsch, Baron Alfred de Rothschild, and other Zionists that established a Jewish Colonialization Association to bring selected Russian and Eastern European Jews to agricultural settlements ("kibbutzim") in the Canadian provinces of Manitoba and Saskatchewan. (2) The same period marked the transfer of the Warburg, Kuhn, Loeb, and related Our Crowd migration from Germany and Britain into lower Manhattan. In 1912 William Sebag Montefiore himself arrived in Montreal where he spent the remainder of his life (d. 1950). Lord Harold Sebag Montefiore, current head of the Jerusalem Foundation (the Zionist wing of the Most Venerable Order of St. John of Jerusalem) was sent to Canada for his early education. In the same period, Baron de Hirsch established the De Hirsch Foundation in Canada as the umbrella for all Canadian Jewish "philanthropic" activities and the Montefiores created a club (named after the family) to service the resident Zionist elites. The Rothschilds, too, planted a branch of their family on Canadian soil.

Meanwhile, in Saskatchewan, the Bronfman family found little interest in eking a living out of the plains of midwestern Canada. The strenuously Orthodox Jewish family first turned to selling wood, then to horse trading, and then most successfully to the hotel business (and prostitution). (3)

In Yiddish Bronfman means "liquorman," and the hotel business put the Bronfmans in a good position to take advantage of the 1915 advent of Canadian prohibition. Bronfman hotels became "boozeriums." Prohibition — enacted on orders from the Privy Council as the prelude to the 1920s U.S. Prohibition and birth of organized crime — catapulted the Bronfmans into the multimillionaire bracket and a status as the untouchable kingpins of crime in North America.

During Canada's four dry years from 1915 to 1919, the Bronfmans established their contacts with U.S. criminal figures for illegally importing liquor into Canada. In 1916, the Bronfmans established their first link with the opium trade proper. Samuel and Abe Bronfman, two of Ekiel's four sons, collaborated with the Hudson's Bay Company — in which the Keswick family of Jardine Matheson had controlling interest — to buy the Canadian Pure Drug Company. In this way the Bronfmans rushed into the

loophole in the War Measures Act that permitted the distribution by pharmacists of alcohol for "medicinal" purposes.

When prohibition in Canada ended in 1919 and Prohibition in the United States began, the Bronfmans simply turned from whiskey importing to whiskey exporting. After it was all over, in May 1936 the Bronfmans agreed to pay \$1.5 million to settle their account with the U.S. Treasury; the sum amounted to an admission that half the liquor that came into the United States during Prohibition was from the "liquormans." (4)

The "Seagram Chickencock" the family poured across the border was pure poison — a mixture of pure alcohol, sulfuric acid, caramel, water, and aged rye whiskey that paralyzed its victim. Between 1920 and 1930, 34,000 Americans died from alcoholpoisoning.

Their control of liquor flow into Prohibition USA gave the Bronfmans literally life-and-death control over American crime. Refusing to play ball with the Bronfman gang usually spelled death, and independently minded gang bosses were often known to be executed by their lieutenants on the Bronfmans' behalf. One of the buyers best liked by the gang was New York City beer baron Arthur Flegenheimer, a.k.a. Dutch Schultz, who succeeded in wiping out his competition including the notorious killer Legs Diamond. Schultz himself was later rubbed out when he took it into his head to murder the reforming New York District Attorney Thomas Dewey. (We will meet up with Mr. Dewey later in regard to the Mary Carter Paint Company.) (5)

In the first years of Prohibition, Ekiel's four boys ran all bootlegging from the prairie states of Canada to major distribution sites south like Chicago. To secure the shipment lines, Harry set up a dummy firm, Transcanada Transport Company. Transcanada was a protective cover for the Canadian Pacific Railway owned by respectable gentlemen back in London, which ran the whiskey across the border. (6) The Bronfmans also bought up stretches of barren farmland along the border and even built an underground pipeline to pump their "chickencock" into the United States.

During these early years, the Bronfmans were scarcely under the protective wing of their Zionist sponsors. Thus, for example,

in 1932 Bronfman brother-in-law Paul Matoff was executed gangland-style by the Chicago mob in a dispute over profit splitting. A scandal ensued, public hearings were convened, and the Bronfman crimes came spilling out into the light of day. The Bronfmans received a mild reprimand from the Canadian government and relocated their operations to Montreal.

1922 also marks the year that the Bronfmans procured their own distillery, hauled with workmen included from Kentucky to Montreal.

Since 1920 the Bronfmans had been importing British whiskey from the Distillery Company of London (DCL), which controlled more than half the world market in scotch whiskey. Owned by the higher echelons of the British nobility including Field Marshal Haig, Lord Dewar, Lord Woolavington, and others, the dispensation of distribution rights was a decision made by HM the King. In 1926, upon the request of Samuel Bronfman, the DCL agreed to go 50-50 in the Bronfmans' distillery and the Distillery Corporation Limited was formed as a holding company with Bronfman and Seagram distilleries. Headquarters were established at the Bronfmans' corporate castle in Montreal, but it was the Distillery Company of London's William Ross who was installed as president with Sam Bronfman as vice-president. The British elite had made a decision to go with the Bronfman option.

Despite the massive infusion of capital and the newly gained legitimacy the link-up with DCL afforded them, the smell of Bronfman smuggling both into and out of Canada and their wholesale bribery of Canadian customs a la Hong Kong had gotten too strong. In 1928 the Royal Commission on Customs recommended the immediate prosecution of Harry Bronfman on charges of attempted bribery. Nothing happened, but shortly thereafter the Bronfmans created the Atlas Shipping Company and moved their smuggling operations to the French islands of St. Pierre and Miquelon, 15 miles off the Newfoundland coast. With licenses in Bermuda, Saint John, New Brunswick, and Belize, British Honduras, the Atlas Shipping Company was one of the first ties laid down in the dirty money-drug underground railway between Canada and the Caribbean. (7)

A little ditty popular during the time indicates the amusement with which the British viewed the entire operation:

Four and twenty Yanks  
Feeling very dry,  
Went across the border  
To get a drink of rye.  
When the rye was opened,  
The Yanks began to sing:  
"God bless America,  
But God save the King."

## Organized crime comes of age

With Prohibition, crime became a bigtime business. It was no longer based on small-scale prostitution, loan sharking, or petty protection rackets. Now it was centralized around the marketing of one precious and outlawed commodity whose supply was controlled from London and from the British colony of Canada. Crime was reorganized from top to bottom into an integrated wholesale and retail distribution chain with well-defined marketing districts, quotas, and uniform pricing. Crime became syndicated.

Hundreds of movies spewed out of Hollywood about the "Roaring Twenties" have glamorized the truth: with Prohibition, Britain — through its Bronfman Gang cutout — had created a nationally syndicated crime cancer. Within a decade of the Roaring Twenties, the Bronfman syndicate would be peddling heroin, cocaine, and every other available poisonous drug through the same wholesaling, transporting, and retailing system that bootlegged booze.

Bronfman's counterpart in the United States was one Arnold Rothstein. Just as Bronfman made it into the bigtime under the auspices of the Hofjuden elite, so Arnie Rothstein was sponsored by Our Crowd Zionist investment bankers who arrived in New York as the Montefiores were setting up business in Canada.

Arnold Rothstein — the godfather of organized crime — was the son of a wealthy Our Crowd dry goods merchant.

At the turn of the century, the Russell Sage Foundation had issued a well-publicized field study of loan sharking in New York City. (8) The report's wide publicity resulted in the bankrupting, jailing, or takeover of the petty gangsters by Rothstein, who emerged as a powerful Tammany Hall figure with a fabled loan sharking business estimated at several million dollars.

Regionwide combines were formed up and down the East Coast for smooth distribution. The Reinfeld Syndicate — named after the Newark, New Jersey bootlegger and accused murderer Joseph Reinfeld — functioned as the middleman between the British liquor distilleries and the "Rum Rows" of Boston and New York. Its controlling shareholders were the four Bronfman brothers, Allan, Sam, Edgar, and Charles. The U.S. leg was handled by Reinfeld and Abner "Longie" Zwillman, later the boss of Atlantic City, and Rothstein's gangs in New York. (9)

In 1927, the Big Seven combine consolidated the entire East Coast distribution system. Its organizer was John Torrio — a dapper little gentleman who without benefit of family, racket, or turf had gained notoriety for eliminating any local crime bosses who stood in the way of national syndication. Torrio was a Bronfman man who had murdered his own uncle to prove it. Brought into Chicago in 1910 by his uncle, racketeer "Big Jim" Colosimo, Torrio smelled the wind on the eve of Prohibition and demanded that his uncle start making the right contacts to get into the lucrative business of bootlegging. When "Big Jim" refused, Torrio had him murdered and took over the Chicago mob as the distribution point for the Bronfman liquor. (10)

In 1925, Torrio suddenly left Chicago heading first for Havana and then landing in Italy. Returning to the United States in 1927 after he miraculously "escaped" Mussolini's purges of the Mafia, Torrio came back with one goal: to build a nationally organized crime syndicate.

While the mad killers and punks like Dutch Schultz, Legs Diamond, and Al Capone made the headlines every day and provided good material for gangster movies, John Torrio quietly continued the work that Arnold Rothstein (assassinated in 1928)

had begun, now with the aid of Rothstein's successor Meyer Lansky. Torrio could do what Lansky and the Bronfmans were prohibited from doing for reasons of ethnicity: discipline the scores of family local crime chieftains and "moustache petes" into one centralized business that could penetrate every sector of the economy. Known as the "assassin who never carries a gun," Torrio presented himself as the elder statesman of organized crime and commanded respect from the Mafia locals. "Cooperation is good for business" was his slogan.

The Big Seven had been Torrio's first step. The cooperative of East Coast bootleggers controlled from the top down to the local levels all prices, membership, centralized distribution points, corruption, and protection.

By 1928 Torrio was able to call a Cleveland meeting to establish a nationwide crime syndicate. (11) The gathering was unique in that it had succeeded in bringing together into one room all the crime bosses of every major organized city. There were three items on the agenda. First, how to use the huge profits of Prohibition and invest them in legitimate business that would permit a steadily increasing take for the syndicate. Second, how to deal with the Italian question. The ritual vendetta murders of the Mafioso families were good for the newspapers, said Torrio, but bad for business. Immediately after the meeting the Castellammarese gang wars broke out in New York as the test case for Torrio's syndicate. Under the auspices of Lansky and Torrio, Lucky Luciano succeeded in wiping out all recalcitrant godfathers. During the last night of the war — the infamous "Night of the Sicilian Vespers" — over 40 people were gunned down. (12) With cartelization came the need for more long-lasting regulation — gangland style. In the early 1930s Murder, Incorporated was formed as a regulatory commission of sorts to police any overzealous "free enterprise" advocates who might try to buck the syndicate. A special assassination bureau was set up by

Meyer Lansky and Benjamin "Bugs" Siegel. The "Bugs and Meyer Gang" had been distinguished by the fact that they owed allegiance to no one (except maybe Arnold Rothstein); they had originally been used to protect Bronfman liquor shipments across the border against "freelance" hijackers. (13)



By 1932 Torrio was strong enough to pull together another meeting of the syndicate, this time in Atlantic City, where a National Commission — the board of directors of organized crime — was officially formed. Aside from the leading Italian mafiosi who had survived the transition, Meyer Lansky, now regarded as the financial and enforcement wizard of the syndicate, and Atlantic City's Zwillman were in attendance as honored guests.

Thus, for the British, Prohibition was a roaring success. What had begun as a three-way contract between Britain (the supplier), Bronfman (the cutout), and Rothstein (the distributor) had become within the space of a decade a nationally organized crime syndicate — a private, secret army under British banking and political control.

## The Rothstein-Hong Kong connection

To pick up the story of the modern-day Dope, Incorporated, let us return to Cleveland and John Torrio's first 1928 meeting of the syndicate. The third item on the agenda was what to do after Prohibition. The commodity, Torrio proposed, that would replace liquor as the black-market, big-profit taker was narcotics.

When Prohibition began in 1920 Arnold Rothstein had personally gone to Great Britain to establish the liquor pipeline with the British distilleries. Less known but more important is that at the same time he had dispatched his underling Jacob "Yasha" Katzenberg to Shanghai to begin negotiations for a dope pipeline from the Far East into the East Coast of the United States. (14) (The West Coast had been sewn up in the previous century with a pipeline from Shanghai straight into the Pacific Chinese coolie communities.)

It was projected that the same networks established to bootleg liquor could just as easily smuggle and retail narcotics. By 1926, U.S. narcotics agent-on-the-scene in the Far East, Ralph Oyler, wrote back to his boss Levi Nutt, chief of the U.S. Narcotics Division, that the opium market had expanded so tremendously that Britain was "even taking shipments of crude opium from the

Near East to add to her gigantic supply of Asian opium" in order to meet market demand. The traditional opium families of Keswick, Sassoon, and Inchcape were preparing for the future. (15)

One year after Oyler's report, the 1927 Shanghai massacre put an end to all challenges to the rule of opium. The Shanghai uprising had been an attempt by the nationalist factions within the Kuomintang and Communist Party to destroy the opium dealers, such as the Soong family, who had seized control over the government and had carved up China into drug-running "warlord" satrapies. The massacre was carried out by the Green Gang Syndicate, acting on orders and funding from the Extraterritorial International Settlements on Shanghai headed by Lord William Johnston Keswick. The British enclave harbored the Green Gang criminals at the time of the massacre, and the British-dominated Municipal Council (headed again by Lord Keswick) turned over trade union leaders and others to Green Gang criminals who executed them. (16) Had the Shanghai massacre occurred during the previous century, it would have been known as the Third Opium War; the consequence of the slaughter was yet another dramatic increase in British opium control over China.

The two principal Green Gang leaders involved in the massacre were Tu Yueh-sheng, "whose factories flooded the American market with narcotics" after the coup, and Huang Chin-jung, who was Arnold Rothstein's contact man. British-dominated post-1927 Shanghai was to become for the next 14 years the premier drug depot for the world.

This shift East in the production of the opium cycle has been documented by Jonathan Marshall in the *Bulletin of Concerned Asian Scholars*:

By the late 1920s, China was a net exporter of opium, and within a few years it replaced the Near East as the world's opium smuggling capital. By 1931, China produced seven-eighths of the world's narcotics. Chinese opium flooded the world markets through Hong Kong, Shanghai and Macao. ... By the mid-1980s, Chinese heroin dominated the American market.

As documented by Marshall, Lord Keswick and the other controllers of the opium trade imposed the Green Gang dope merchants in power in China, making the production and distribution of opium the backbone of the Chinese economy. The consequences were predictable: unparalleled genocide against the Chinese population.

In early July, 1932, T.V. Soong, who had resigned (as Finance Minister — ed.) the month before after failing to raise enough money for the communist suppression campaign, hinted that he would return to office if a new source of revenue — such as opium — could be found. He picked up the support of the influential H.G.W. Woodhead, who, probably reflecting the sentiment of the British business community (i.e., Keswick, the HongShang, and Standard and Chartered — ed.) argued that only such a monopoly could solve China's financial crisis. An opium monopoly was a small price to pay to protect the stability of China's business climate. . . .

(Due to the forced cultivation of opium — ed.) millions of acres of land were taken out of food production. In food-short China, this reduced the margin of peasant survival . . . the most notorious case of famine brought on by over-cultivation of opium occurred in Shaanxi province between 1928 and 1933. It took as many as six million lives in four provinces, wiping out perhaps a third of the entire population of Shaanxi province. (17)

Let us now stand back and review — in light of this history — the jigsaw puzzle pieces that fall into place with Yasha Katzenberg's trip to Shanghai and the sealing of an opium pact.

First, Arnold Rothstein, Yasha Katzenberg's employer, was a product of the Rothschild "dry goods" empire that included the Seligman, Wannamaker, and Gimbel families. During Prohibition, according to the Bronfmans' own testimony, Rothstein, Meyer Lansky, and Lucky Luciano were the Bronfmans' main distributors. As Prohibition came to a close Bronfman associates traveled to Shanghai and Hong Kong to streamline and

expand the drug trade into the United States, negotiating with the foremost Chinese drug-runners who were not only encouraged but pressured by the British "business community" to pull together an opium cartel.

The man dictating the opium policy to China in this period, the man who sired the T.V. Soong opium monopoly, was Sir William Johnston Keswick of Jardine Matheson and the Hongkong and Shanghai Bank. From the period of the Shanghai massacre to 1942 when he was interned by the Japanese, Keswick directed the international Settlements of Shanghai — the period of gross expansion of Shanghai heroin into the United States. The same Sir William Keswick was until very recently the director of the Hudson's Bay Company of Canada, the same company, it will be recalled, that collaborated with Sam and Abe in 1916 to found the Pure Drug Company for illegal distribution of whiskey into Canada.

Working for Hudson's Bay along with Keswick is Sir Eric Drake, who not only sits on the board of several Bronfman-run banks and companies, but is also an employee of the Inchcape family and presently the deputy chairman of the Inchcapes' Peninsular & Orient Steamship Company. The current chairman of the board is the son of the Lord Inchcape who in 1923 called for the expansion of "that most valuable source of revenue" — the opium trade.

Sir Eric Drake is also a member of the board of Canadian Pacific, which plays a most vital role in the transshipment of drugs through Canada into the United States, just as they did with alcohol during the Prohibition. Along with Lord Trevelyan, who heads up the HongShang's "gold-for-dope" exchange from his position at the British Bank of the Middle East, and Lord Inchcape, Sir Eric Drake sits on the board of British Petroleum, as does Sir William Johnston Keswick.

Sitting on the board of the Bank of Montreal along with Charles Bronfman and two Seagram directors are J. Bartlett Morgan, William Arbuckle, and F.S. Burbridge, who in turn sit on the boards of Hudson's Bay, Canadian Pacific, and a host of other banks and corporations in which the drug families of the HonkShang nexus play a policy-making role.

We are not charging "guilt by association" but rather making note of the fact that the series of "legitimate" enterprises the Bronfmans moved into toward the close of Prohibition are indistinguishable from and intermeshed with companies controlled by Keswick, Inchcape, and other leading opium traders. During the same period, these gentlemen openly supervised the drug trade into the United States. This association not only continues to this day but is the mainstay of the Bronfman empire.

## Going legit ain't necessarily kosher

With the repeal of Prohibition and with the Shanghai opium deal in operation, the Bronfmans, like so many of their partners across the border, "went legit." Organized crime sunk its millions in legitimate businesses that both acted as cover for illegal activities and set up the laundry networks for dirty money. The new phase of respectability signaled that the most successful bigtime whiskey bootleggers were switching to bigtime narcotics.

In the early days, the Bronfmans had to run all the risks of the smuggler's profession. They had to dodge the law, stay one step ahead of the desperadoes on the other side of the border, and whenever things went wrong, face the humiliation of public exposure and scandal. As a result, the family acquired a considerable reputation.

Looking expectantly toward the fast increase in drug trade in America, the British could not afford to leave their leading cutout in such an exposed and precarious position. Nor could they simply dispose of the Bronfmans after Prohibition. The family had become irreplaceable due to its in-depth control over the syndicate. Yet, they would be a liability if they continued to work as openly with their distributors in narcotics trafficking as they did running Prohibition.

The problem was resolved by bringing the Bronfmans into the lower rungs of the Hofjuden caste. Almost overnight, the Rothschilds, Montefiores, de Hirsches, et al. took "Mr. Sam," the crime czar of North America, and transformed him into a rising star of the Canadian Zionist movement.

\* In 1934, Mr. Sam was given his first "respectable post" as chairman of the National Jewish People's Relief Committee (Canada).

\* By 1939 he had been appointed head of Baron de Hirsch's Jewish Colonization Association, the same Association that had brought Yechiel to Canada.

\* In the same year, the Canadian Pacific Corporation invited Mr. Sam to establish a new refugee organization for Eastern European Jews.

\* Within five years, the prince of crime was transformed by the good grace of His Majesty's oligarchists into a Zionist "philanthropist." One post followed after another. He became head of the Canadian Jewish Committee, replacing Lyon Cohen, the son of Lazarus Cohen, the founder of the Jewish Colonialization Association and the official agent of the de Hirsch family interests. After World War II, Mr. Sam established the National Conference of Israeli and Jewish Rehabilitation, using his considerable smuggling skills to run guns to the Haganah.

Similar posts were awarded to the other Bronfmans. Allan Bronfman was named president of the Zionist Organization of Canada, a member of the board of trustees of the Federation of Jewish Philanthropists and of the national council of the Canadian Jewish Congress. Abe Bronfman was posted to the Joint Distribution Committee and also to the national council of the Canadian Jewish Congress.

Finally, in 1969 the Bronfmans were given the highest reward issued by Her Majesty. Sam was made a Knight of Grace of the Most Venerable Order of St. John of Jerusalem — Her Majesty's official chivalric order. His brother Allan and his son Charles were appointed to the highest rank, Knight of Justice of the Order. These appointments are emphatically not ceremonial, but are only bestowed on those who have carried out the most dangerous and fruitful missions for the British Crown.

The Bronfmans' time had truly come. Sam's children were welcomed into the Hofjuden elite by intermarriage. Minda married Baron Alain de Gunzberg, himself an extension of the Rothschild family tree. De Gunzberg sits on the board of Seagram, is managing director of the Banque Louis Dreyfuss, and controls the Selig-

man-Louis Hirsch investment house which has close Rothschild ties. Edgar Bronfman's first marriage was to Ann Loeb, bringing him instantly into a command position within the Wall Street house of Loeb, Rhoades, and Co. While taking over the Seagram main branch in New York, Edgar's marriage clinched the tie to Our Crowd that had begun during Prohibition. His second marriage, to Lady Caroline Townshend, as we have seen, was unsuccessful. Phyllis Bronfman married Jean Lambert of the Belgian banking and mining interests.

Yet, despite their mountains of wealth, despite their hard-won entry into the realms of good breeding, it would be a mistake to think the Bronfmans were a power in their own right. When it comes to the question of control, they are treated as if the money were not their own.

Take, for example, the case of "Trizec," the holding company through which the Bronfman brothers ostensibly run their various corporations, including Seagram. Since it was formed in 1960, the Bronfmans have never held a majority position within Trizec! Trizec is run by Eagle Star Ltd. of London, a holding company whose directors have been described by one author as "the most notable of the British aristocrats." (18) Evelyn de Rothschild, the earls and dukes who control Lloyds of London and other banking and insurance firms, and leading lights of British intelligence such as Sir Kenneth Strong and Sir Kenneth Keith all converge on the board of Eagle Star. (See Part II, Section 8.) This extraordinary company in turn owns English Property Corp. Ltd. — whose principal individual shareholder Laurie Marsh has gained notoriety in Britain as the "Prince of Pornography" for his ownership of the majority of pornographic movie theaters, massage parlors, and "red light district" real estate in London. (19) English Property Corp. Ltd. owns majority holdings in Trizec.

Neither are the brains behind the Bronfman empire situated between the ears of members of the Bronfman family. The source lies elsewhere — in the family's law firm of Phillips, Bloomfield, Vineberg, and Goodman (now Phillips and Vineberg).

The personage of family arbiter and attorney Lazarus Phillips,

in particular, was a constant sore to Mr. Sam. Born into the upper crust of the Zionist elite, Lazarus Phillips succeeded in gaining all the yeckus — publicly recognized respect — that Mr. Sam could never seem to win. Phillips was a holder of the Order of the British Empire, a senator in the Canadian Congress, a member of the board of directors of the Royal Bank of Canada, invited into the exclusive Mount Royal Club as a member, and was a power-broker for the Liberal Party.

But without Phillips the Bronfman family empire could not survive. It is likely that through him the Bronfmans received the input of cash that allowed them to proceed steadily from boot-legging to the legitimate bigtime. Certainly it was Phillips who unfroze enough funds under export control from the grip of the Bank of Canada to finance Seagram's wartime expansion into the United States. As the final judge in all family matters — legal and otherwise — Phillips has sat on the board of Seagram since 1940 and on every other company and philanthropic front nominally run by Mr. Sam. He is still the codirector of Trizec and the other major Bronfman holding company Edper (named after Edgar and Peter Bronfman). Phillips is also the expert who managed to get the Bronfmans off every legal hook they ever got caught on. (20)

Philip F. Vineberg is part of the Vineberg family of Abraham Moses Vineberg, chairman of the Moses Vineberg Investments firm and the de Hirsch Institute. Cochairman of all the Bronfman holding companies, Vineberg runs the Canadian Israeli Bond Drives and the Canadian Council of Christians and Jews. He is also a member of the Hofjuden elite's Montefiore Club.

Major Louis Mortimer Bloomfield, also of the firm Phillips, Vineberg, and Bloomfield, is however, without a doubt the most colorful of the Bronfman brains-behind-the-scenes and this may explain why his name was left out of Peter Newman's 1978 book *The Bronfman Dynasty* (rumored to have been commissioned by the Bronfmans themselves). In addition to his position up to the late 1960s as a Bronfman family lawyer, Bloomfield remains a close banking associate. The Major's Zionist activities are numerous: he is involved in a nest of corporations including the Israeli Continental Company, he is chairman of the Canadian



Histadrut Campaign, and a former president of the Israeli Maritime League. He also holds the post of Consul-General in Liberia, under whose flag vast quantities of opium and narcotics are shipped. He is a high-ranking member of the Most Venerable Order of St. John of Jerusalem and runs its subsidiary Canadian Red Cross Ambulance Corporation.

Major Bloomfield also runs Britain's International Assassination Bureau, an entity we will soon examine in detail.

## Are they really clean?

The answer, of course, is no. Since the days they sent their "chickencock" across the border to their claim as the world's finest whiskey blenders, the Bronfmans' ties to North America's crime syndicate have never been broken but merely undergone corporate reorganization. In Section 3 on the Bronfman company of Perminex, we will analyze their criminal activities in length. At this point a few examples will suffice.

Take the case of Bronfman family intimate Murray Koffler. A leader of the Jerusalem Foundation in Canada, Koffler was the subject of a major scandal in 1976 when his business associates, Starkman stores, were busted by Canadian police after its pharmacists were caught manufacturing illegal amphetamines and funneling them into the black market. (21)

Charles Bronfman's sister Phyllis Lambert was the subject of a simultaneous scandal for her involvement in Heritage Canada, a government funded "social service" program that got caught conduiting drugs onto Canadian college campuses. (22)

In 1975 the Bronfmans again made the front pages when Edgar Bronfman's eldest son, Samuel II, was reported kidnapped. The case revealed the kidnapper to be Sam II's homosexual lover. When the police found them, Sam's kidnappers pleaded that the Bronfman youth had blackmailed them into the hoax as a way of extorting money from his father. The jury agreed; the two abductors were declared innocent of kidnapping, but found guilty of the lesser charge of extortion. The press also aired the kid-

nappers' pleas that their lives were now in danger for having sung about Sam II.

Since he took over the reins of Seagram's New York branch in the 1950s, Sam II's father, Edgar, has built the Seagram distilleries network into a multinational global empire. The

Bronfmans, for example, have entered into a most profitable business partnership with the Cuban rum Bacardi family. After Fidel Castro took over the island in 1959, the Bacardis switched their base of operations to Puerto Rico and Miami, taking along with them a small army of anti-Castro Cuban exiles. The Bacardis, headed by Manuel Cutilla Bacardi, have been pinpointed by law enforcement agencies as the funders and political controllers of entire networks of Cuban exiles. The "gusanos," as they are called, are not only involved in terrorism (Orlando Bosch's September 1976 bombing of a Cubana airlines plane killed over 70 people). Drug runners in the Bacardi-Cuban exile networks, Jose Medardo Alvero-Cruz and Antonio Cruz Vasquez, have been recently arrested for drug trafficking in the Caribbean and Mexico. (23)

Seagram has also staked a conglomerate empire in Mexico. Bronfman's contact is former Mexican President Miguel Aleman, who owns and operates Acapulco. Today Aleman is demanding the revival of casino gambling in Mexico; in the 1930s nationalist President Lazaro Cardenas threw the casinos, and with them Meyer Lansky, out of the country.

In short, wherever Seagram branches appear on the map, they are thoroughly intermeshed with narcotics runners, gambling, and crime.

One the public record, the Bronfmans' gutter connections are most visible in the case of Mitchell Bronfman. The son of Knight of Justice Allan Bronfman, Mitchell is reportedly never without the automatic strapped to his shoulder and his stiletto strapped on his left calf. He is on record with the Montreal Police, the Quabec Provincial Justice Ministry, and the Royal Canadian Mounted Police as a kingpin of organized crime in Montreal. (24) A 1972 report by the Montreal Crime Commission names one Willie Obront as the head of the syndicate in the area and

describes the relationship between Obront and Mitchell Bronfman as "almost a brotherly relationship." (25)

This relationship extends into illegal activities in which they have mutually or jointly indulged . . . the special kinds of favors they did for each other and the resulting advantages of each in the fields of loan sharking, gambling, illegal betting, securities, tax evasion and corruption. (26)

Everything was on a strictly "friendly basis," claims Mitchell.

Obront first came to the attention of the authorities after two of his Quebec nightclubs used as hangouts for Montreal's underworld were raided. It was revealed that Mitchell's friend was one of Montreal's top movers of dirty money from narcotics, prostitution, and loansharking.

Together with Willie, Mitchell Bronfman is a minority partner in the Pagoda North, a Miami restaurant that has been identified by U.S. and Canadian law enforcement agencies as the headquarters for a continentwide illegal bookmaking syndicate run by Vito Genovese.

Willie Obront was convicted in 1976 of "tax evasion" and put behind bars. Mitchell Bronfman narrowly averted the same fate.

Another one of Mitchell Bronfman's business partners is Sidney Rosen, who was also arrested and convicted in 1975 for looting 35 Canadian and American companies of \$7 million through an asset-stripping clearinghouse called Value Trend Holding Company. Value Trend in turn laundered these stolen assets, along with other dirty revenues from illegal gambling, extortion and narcotics, through Corporate Bank and Trust Company of Freeport, Grand Bahamas and Flendon Ltd., of the same address. Both companies are jointly owned by Rosen and Mitchell Bronfman through another holding company called the "Milton Group." When Rosen went off to jail (again leaving Mitchell Bronfman scot free), the \$7 million passed unscathed into offshore accounts in Barclays Bank in Freeport. (27)

But the two major corporations that Mitchell operates out of

are the mysterious "Securex" and "Execaire Aviation." The former was disbanded in 1977 by Quebec Provincial Justice Minister Delard. While the Official Secrets Act has kept the reasons behind this hidden, it can be stated with reasonable certainty that Mitchell Bronfman and the company were discovered to be up to their necks in the wave of FLQ (Front pour la Liberation du Quebec) terrorism that had plagued the province since 1970 — not to mention the narcotics trade.

The two directors of Securex at the time of its banning were Donald McCleary and Gilles Brunet, formerly RCMP sergeants in charge of the G-4 (Secret Service Division) of the Mounties. Both were fired from the Service in 1972 when it was discovered that they were close associates of Mitchell Bronfman. (28) McCleary and Brunet were in charge of the counterterror efforts in 1970 when the FLQ kidnapped a provincial official and a British government officer, an affair which led to the declaration of a state of emergency. The emergency period was used as a pretext to go after the French Canadian networks that had been built up by de Gaulle in conjunction with the Vatican to liberate Quebec from British colonial status.

In point of fact, the FLQ was itself funded by Bronfman family networks as an extension of earlier efforts to assassinate French President de Gaulle (the story will be told below). The Bronfmans' FLQ option was the North American version of the British Special Air Service's control over both the Provisional Wing of the Irish Republican Army and the British Army's counterterror efforts.

Securex advertises itself as a security "consulting firm specializing in anti-terrorism, anti-kidnapping, and guerrilla warfare training." (29) All things considered, it would have to be regarded as both a semi-official covert branch of British intelligence in Canada and as a bridge to the criminal underworld.

Its affiliated Execaire Aviation emerges as yet another scarcely concealed front for crime. Execaire is the largest private charter airline service in Canada specializing in jet service for business executives . . . and narcotics. Is Mitchell Bronfman just the black sheep in the Bronfman family? It is unlikely. Cemp, the Bronfman family trust, signed a

guarantee for part of Exeaire's line of credit at the Bank of Montreal.

Nevertheless, the high publicity the Bronfmans have received over the years for such exploits as Mitchell's has prevented the family from receiving that degree of respectability they have always coveted. In the 1950s Mr. Sam looked across the fence at the status of his friend Senator Jacob Javits and decided that he would buy the ultimate title to confer respectability to his name: he sought to become a Senator of the Canadian Congress. All told, he spent \$1.2 million in bribes. The Liberals took his money but wouldn't give him a seat. The Bronfman name was still too dirty to be permitted in the ranks of Canadian politics.

In this regard, the Kennedy family fared much better.

## 2

# The Kennedys: Organized Crime in the Government

There are some facts in the mind of the American public that hint at the reality behind the "Kennedy look": Ted's Chappaquiddick disaster, Judith Exner Campbell's revelations that Chicago mobster Sam Giancana had given her to Jack, and the well-known stories of Papa Joe's bootlegging days. The suspicions are there but Americans aren't really sure what the Kennedys are; after all, if they're so dirty, how do they stay so clean? Dope, Incorporated supplies the answer. The Kennedys are clean because, beginning with Papa Joe, they were flea-dipped, scrubbed, and polished by the British to be the respectable front for organized crime. Whether or not a Kennedy crosses the British Crown in terms of policy — as Jack Kennedy did in 1963 — does not alter the fundamental content of the political machine that gives the Kennedy dynasty its power. The Kennedy machine is organized crime in government. If Ted Kennedy becomes President in 1980, whom will he owe debts to? The same people who pay for him now. At the top of the list of contributors to Kennedy's 1976 senatorial campaign released by the Federal Elections Commission is one Joseph Linsey. (1) A Massachusetts bootlegger who maintains con-

nections to Meyer Lansky from the 1930s, Linsey sits on the board of International Airport Hotel Systems Inc., a Miami-based company whose board also includes Lansky. Hotel Systems is also connected to Resorts International, a firm we will soon hear more of. FBI wiretaps showed recently that Linsey also has dealings with Raymond Patriarcha, the titular godfather of New England narcotics trafficking. (2) Patriarcha is a partner of the Jacobs family (whom we will also encounter later) in several business ventures, including a multimillion dollar a year slot machine company in St. Louis. Although sentenced to jail for murder, Patriarcha was released over four years ago when doctors "discovered he was suffering from a case of terminal cancer" from which he presumably still suffers.

Among the business enterprises of Kennedy financier Joseph Linsey are two liquor distributing firms, Crown and Whitehall, and a dogracing track in Tauton, Massachusetts. Whitehall's chief "salesman" Mike Rocco was described by the McClellan Committee hearings on organized crime, in which both John and Robert Kennedy participated, as a "collection man for the mob." (3) Linsey's chief political lobbyist, Hirsch Freed, is a senior partner in the law firm of Brown, Rudnick, Freed, Gesmar and sits on the board of the Combined Jewish Philanthropies of Boston. Freed and all of his law partners are generous donors to the Kennedy campaign fund. (4)

It is the character of Kennedy's friends rather than his own low personal standard of morality that explains why as a leader of the powerful Senate Judiciary Committee he has come forward as the leading sponsor of federal legalization of marijuana and why he has given his approval to decriminalization of heroin "for experimental purposes." The job of the Kennedy dynasty is to usher in British dope and the criminals who distribute it — through the front door.

## The rise to power

Papa Joe Kennedy did not have to struggle like the Bronfmans did to make their name and money in the world of crime — he

was born into it. Joe's father P. J. Kennedy was one of the shantytown mobsters of late 19th century Boston.

P. J. began his rise to fortune as a tavern keeper who bought his way into the corrupt Democratic Party machine (a machine that, like the Jacob Astor-Aaron Burr power system in New York, had its roots in opium trafficking). Once he had obtained a seat on the ward's Democratic Committee at the age of 26, P. J. gave up his tavern and went into the more lucrative wholesale liquor business. Two years later in 1886 he began the first of five consecutive terms in the Massachusetts State Legislature. By 1896, he was part of the triumvirate of Kennedy-Donovan-Corbett, known as the Board of Strategy, which controlled the Democratic organization in Boston. But it was common knowledge that the secret to P. J. Kennedy's political success was his control of the local crime ring, the "McGuire Gang." (5)

Joe Kennedy's mother sadly recognized that with her husband, her social pretensions could never be realized for herself. Kennedy's public image was so filthy that he could not even Qualify for entry into the "High Irish" social circles of Boston, let alone the Brahmin elite centered around the opium smuggling Perkins family. She set her hopes on her children. It was Joe Kennedy's marriage into the Fitzgerald family (over the vehement protests of his father-in-law, Boston's High Irish Mayor "Honey" Fitzgerald) that launched the Kennedy family into high society.

Nevertheless, when Joe Kennedy went to Harvard he was snubbed and ridiculed by his Brahmin classmates, who never missed a chance to remind him of his family's seedy history. Joseph bitterly referred time and again to his rejection by the exclusive "final clubs," Harvard's most desired status symbol. (6)

After World War I, Kennedy was employed by Galen Stone, a partner in the prestigious Hayden, Stone and Co., a Boston Hat street investment house with ties to the Rothschilds. While there, he made his first contacts with the British aristocracy. Kennedy got wind that one of Hayden, Stone's clients, the British company of Robertson-Cole Pictures, was in the throes of a credit squeeze. The ambitious Irishman went to London to seek the purchase of



the company's U.S. distribution affiliate, the Film Booking Company. He was turned down flat. Within a month, however, Lord Inverforth arrived in Boston to take Kennedy up on the offer. Through a subsequent merger With Ideal Films Ltd. Kennedy founded what was described at the time as the "first genuinely reciprocal exchange of production and distribution facilities between British and American companies." (7) Kennedy's joint ventures with the British soon produced RKO studios, ushering in British financial and cultural domination of Hollywood.

Kennedy's film ventures were also noteworthy for another reason. Lord Inverforth later showed up during World War II working closely with British Secret Intelligence Services chief William Stephenson ("Intrepid"). (8) The Robertson-Cole deal was Kennedy's first contact with Britain's aristocratic high command.

In 1929, Kennedy joined with Blair and Co., a firm operated by Elisha Walker, later of Kuhn, Loeb, and Jacques Monnet, to bid for control of A. P. Giannini's Transamerican Co., the controlling company for the Bank of America. The attempt failed, but Kennedy gained another invaluable contact. Jacques Monnet had come to North America to represent his family's liquor business, Monnet et Cie., in dealings with the Hudson's Bay Company. In the period that Kennedy was working with Blair and Co., Monnet was traveling to Shanghai on a financial mission for the League of Nations. Since the delegation came on the invitation of notorious opium dealer T.V. Soong, and given Monnet's associations with the Hudson's Bay, it is likely that more was on the agenda than the financing of Chinese railroads.

Papa Joe also had business liaisons with the seamier side of the illegal distribution market. During his own bootlegging days in Prohibition, Kennedy entered into a coalition with Newark's Reinfeld Syndicate, which it will be recalled was 50 percent owned by the Bronfman gang. Joe retained his business dealings with the syndicate thugs all the way until 1946. At that time, in preparation for the launching of his sons' political careers, Joe sold his liquor company, Somerset Importers Ltd., for \$8 million to the "Renfield Importers" — a revised version of the Reinfeld Syndicate. (9)

As the end of Prohibition approached, Kennedy again turned to London where Winston Churchill personally approved the grant to Joe of the British distillers' franchise for the American market. Through Kennedy's Somerset Importers Ltd. and Renfield Importers, Kennedy marketed Dewar's scotch, Gordon's gin, Ron Rico rum, and Haig and Haig. (10)

But as Papa Joe made clear early in the game, he was not in it for the money. His goal was to build a political dynasty, and his wife produced nine children in succession to get it going. Churchill's nod of approval and the cash flow accompanying it signalled that the British were ready to take advantage of Joe Kennedy's political ambitions.

Kennedy acknowledged the deal by placing his accumulated fortune in the hands of one of the inner circle of London finance: Lazard Brothers Ltd. Andre Meyer, head of the U.S. branch of that house, became the manager of the Kennedy Estates. Lazard Brothers Ltd. is owned by Viscount Cowdray (Weetman John Churchill Pearson), cousin of Winston Churchill.

In 1933, Kennedy was appointed by President Franklin Roosevelt to head the new Securities Exchange Commission. Kennedy's earlier association with the London banking circles had put him in the inside track to conduct a flurry of stock speculation on the eve of the 1929 stock market crash and walk away from it all with a pocket full of cash. When the SEC was created to regulate the market, Roosevelt returned Kennedy's 1932 favor of swinging the Boston Democratic machine behind the FDR candidacy at the 1932 nominating convention.

In 1936, FDR appointed Kennedy U.S. ambassador to Great Britain, a post Kennedy wanted more than life itself. As Joe's official biographer explained, "The old American aristocracy, with its Anglophilic leanings—the aristocrats that had rejected Kennedy at Harvard—regarded the post as the nation's highest social office." (11) Kennedy had at last succeeded in giving the Boston Brahmins a kick in the teeth. Once in London, the Royal Family further obliged the funny Irishman by posing with his family in full regalia for the newspapers.

Kennedy quickly attached himself to the most pro-Nazi British aristocrats centered around Lady Astor's Cliveden Set where

Round Table figures such as Lazard Brothers' Lord Robert Brand, the Marquess of Lothian, Fabian George Bernard Shaw, and the opium-trading Sassoon family congregated to dictate Britain's appeasement policy for the British Foreign Office.

Kennedy's antics in Britain soon got back to President Roosevelt who, by the outbreak of World War II, had developed a fairly accurate view of Britain's imperial designs. Kennedy's notoriety as a Nazi supporter — like his father's earlier underworld career — could not be covered over by even the most sympathetic biographer. Thus, David E. Koskoff in his commissioned biography of Joe Kennedy reported the following:

Kennedy had become intensely Anglophilic: "Indeed there are unfortunate signs that Kennedy is going by way of Page." They reported that he was one of the prime exhibits of Cliveden . . . that he was a partisan of England and should be watched carefully. . . .

From the beginning of the Ambassador's career to the end, the spectre of Walter Hines Page haunted Joseph Kennedy. From his position as Ambassador to England, Anglophile Page had literally conspired with the British to bring America into World War I. . . . Kennedy always resented the fact that his name was always linked with Page. . . . Even Roosevelt said before the outbreak of war, "He's more British than Walter Hines Page." (12)

Kennedy's unswerving loyalty to the British monarchy was rewarded; his daughter, Kathleen Kennedy, the sister of John, Robert, and Edward, married William Cavendish, the Marquess of Hartington. Hartington was the son and heir to the 10th Duke of Devonshire and his wife, Lady Mary Alice Cecil (daughter of the 4th Marquess of Salisbury), the Dutchess of Devonshire.

In the hierarchy of the British nobility, the dukes are the highest rank of royalty, taking second place only to the monarchy itself. The Duke of Devonshire is at the center of the interlocking families of the Cecils, Salisburys, and Macmillans who have run British politics since the Glorious Revolution.

Joseph Kennedy repeated the theme many times: "If Kathleen and her husband were living, I'd be the father of the Duchess of Devonshire (first Lady-in-Waiting to the Queen) and the father-in-law of the head of all the Masons in the world." (13) Later, his son John would marry Jacqueline Bouvier, whose sister Lee Radziwill married Prince Stanislaus Radziwill, a member of the Polish nobility who traces his titles back over 500 years. The Radziwill family, which resides in England, established the Order of St. John of Jerusalem in Poland in 1610 and was instrumental in transplanting the Order into the United States in the early 20th century. While serving as ambassador in Britain, Joseph Kennedy was made an initiate in His Majesty's Most Venrable Order of St. John of Jerusalem. Despite Joseph Kennedy's eventual unceremonious recall from the Court of St. James at the beginning of World War II, the elder Kennedy had succeeded brilliantly in restoring his tarnished reputation. During his sojourn in Britain, he turned over his sons to the British Round Table for a "proper" education. Joseph Kennedy, Jr. and John F. Kennedy were trained at the London School of Economics, an institution founded by the Fabian Society dedicated to training and recruiting foreign cadre as future British agents within government, business, media, and educational posts in their respective countries. The Kennedy brothers were trained by Fabian Society Executive member Harold Laski. At Harvard, on the Kennedys' return to the United States, further tutoring for son John was secured from Sir John Wheeler-Bennett, the founder and head of the research division of the Royal Institute of International Affairs. Wheeler-Bennett denies that he was the writer of Kennedy's Harvard master's thesis, later published in book form as *Why England Slept* — an apologia for the Cliveden Set's and his father's sympathies for Hitler. (14) There is little doubt that Wheeler-Bennett was aware that he had been entrusted with the training of Britain's future political kingpins in the United States. As he recalls:

I was invited one evening to dine informally at the American embassy. We were a small party, not more than

ten, as I recall, and the three eldest Kennedy sons sat in a row on the far side of the table to myself. . . . "I'll tell you about these boys," said the Ambassador to me in his rasping nasal voice, as if they weren't there at all. "There's young Joe, he's going to be President of the United States. And there's Jack, he's going to be a university president; and there's Bobby (tapping his nose in a cunning manner), he's the lawyer." (15)

## Why the British killed Kennedy

When John F. Kennedy became President of the United States in 1960, it is reported that Andre Meyer of Lazard Brothers Ltd. went around Europe introducing himself as "the real President." Whether the story is true or not, it is the case that the Court of St. James had at least temporarily seized control of the Oval Office. So had organized crime. The Kennedy machine moved into the Justice Department, specifically Robert Kennedy's Organized Crime Strike Force. The Organized Crime Drive, as it was called, was a highly irregular unit, even according to its nominal chief, Ed Silberling. The section was in fact run by non-lawyer Walter Sheridan, a former FBI man who had worked as Chief of the Counterintelligence Section, Special Operations Division, Office of Security, and the National Security Agency. It was Sheridan who had the ear of Robert Kennedy, often as much as three times a day. (16)

According to Victor Navasky's *Kennedy Justice*, the Sheridan crew "had free access to the files of the McClellan Committee. It was in touch with grand juries throughout the country. It had an undercover air of mystery about it. Its modus operandi was cloak and dagger. . . Its relations with the FBI were highly irregular in that it received little or no cooperation from the top, yet Sheridan, an ex-FBI man, had a degree of line cooperation in the field that was, in some respects, unparalleled. He actually coordinated FBI agents with his own men — told them where to go when, and they went.

"Unlike every other unit of the Justice Department, which is

organized around subject areas of responsibility," reports Navasky, "the Sheridan unit's *raison d'être* seemed to be not a subject area but a target: Jimmy Hoffa." (17)

If Kennedy himself was obsessed with getting Hoffa, the machine behind him found the campaign a convenient ruse for three reasons. First, it badly damaged the biggest and strongest trade union in the country, which had consistently used its power to press for industrial growth. Second, the publicity it engendered was a good diversion. And third, it was a good cover for going after local Mafiosi who might object to a tightened drug syndicate and the rise of the new black mafia to service the cities. The fanfare around the Valachi revelations served the same purpose.

A look at the ensuing careers of the Kennedy crimefighters underlines the point.

\*Henry Peterson of the Organized Crime and Racketeering Division joined Max Jacobs's Emprise Corporation, a money-laundering outfit examined in Section 4.

\*His boss William Hundley and Robert Peloquin of the Criminal Division left Justice, formed their own law firm, and now sit on the board of International Intelligence (Intertel), Meyer Lansky's crime clearinghouse (see Section 3).

\*Stanley Mills, head of the Kennedy Anti-Trust Division, became general counsel for Max Jacobs's Sportsystems.

\*William O. Bittman, prosecutor for the Justice Department against Hoffa, joined the board of Sportsystems.

\*Daniel Holloman and Thomas Kennedy of the Organized Crime Division joined the same board.

\*Horace Webb of the department's Public Informational Services Division is the public relations man for Sportsystems.

\*Thomas J. Mekeon, member of the Organized Crime Strike Force in Detroit, is assistant general counsel and vice-president of Intertel.

While Sheridan's "Terrible Twenty" burned the small fry, Meyer Lansky and Max Jacobs went untouched. Lansky's biographer, Hank Messick, could even report that "Lansky could deplore the loss of Newport and Hot Springs, but the attack on La Cosa Nostra caused him no loss of sleep. Instead, from 1960 to

1965, he succeeded in keeping his name completely out of the newspapers. That five-year period was for Lansky one of the most active, and profitable, eras he had known." (18)

## DOUBLE-CROSS

Meanwhile, in the White House John Kennedy was being advised by the higher echelons of the same network that had invaded the Justice Department. Almost simultaneously with Kennedy's inauguration, Harold Macmillan moved into 10 Downing Street. Macmillan was himself part of the extended Devonshire family into which Kennedy's sister Kathleen had married. His Canada-based pulp and paper company, MacMillan Bloedel, as noted, was a component of the British Columbia drug-smuggling apparatus. (19)

Macmillan's newly appointed ambassador to the United States, David Ormsby-Gore (later Lord Harlech), was also a distant in-law of the President through the Cecil family. Ormsby-Gore had been a close friend of JFK's since their days together at the London School of Economics. The British ambassador had daily access to the President. He was the fourth member of Kennedy's inner policy-making core, "ExComm," along with Robert Kennedy and the Anglophile National Security advisor McGeorge Bundy (also a Harvard protege of the Round Table's William Yandell Elliott). During the Cuban Missile Crisis, documents show that Ormsby-Gore and Macmillan made most of the minute-to-minute decisions at the point that the United States was on the brink of nuclear war.

Best estimates have it that up through the winter of 1962-63, British directives to the White House, transmitted through Ormsby-Gore, were carried out with only minor points of difference. That special relationship began to show signs of deterioration during early 1963. Policy differences between the Kennedy and the Macmillan governments began to surface, as the U.S. President took a series of initiatives toward detente with the Soviet Union and Cuba. (20)

The diaries of Macmillan testify that Kennedy had to be intensely arm-twisted at the famous Nassau summit in spring 1963 before he would agree to turn over the Polaris missile program

to the British. (21) That move precipitated French President Charles de Gaulle's vehement denunciation of the Anglo-American violation of the Atlantic Charter, followed by France's withdrawal from NATO.

A combination of factors was operating on Kennedy. Foremost among them was Papa Joe. Individuals, interviewed by the authors, who knew Joe Kennedy intimately during the 1920s report that he cherished a deep hatred for the British and the Anglophile society of Boston that had humiliated him; however, the same individuals report, Kennedy had made a decision that if he was going to make it, he would have to prove his usefulness to the British. With John Kennedy's accession to the Presidency, Joe Kennedy's dream of using the British to build a sufficient power base for himself was a reality. No astute political observer during the 1960s could ignore the possibility of a "Kennedy dynasty" installed in the White House for several uninterrupted decades.

During the spring and summer months of 1963, JFK began reversing previous policies. Plans were being prepared to devolve U.S. presence in Southeast Asia. Detente discussions were opened up with the Soviet Union; in the weeks prior to his assassination, Kennedy even sent a secret emissary to Havana to open up talks with Fidel Castro. The Kennedys were showing signs of bucking the machine that had put them in power. The British had him killed. To use the language of a Grade-B movie, "Kennedy tried to double-cross the syndicate and he got iced." It is reported by Kennedy biographer Koskoff that upon JFK's death, Lord Beaverbrook (whom we shall encounter in regard to the International Assassination Bureau) sent a scarcely veiled warning to Joe Kennedy:

Perhaps he (Joe Kennedy—ed.) was a little comforted by the kind note that his dear friend Lord Beaverbrook sent to Rose: "May Joe find solace. . . in the assurance that Bobby will repeat Jack's career." (22)

When Robert Kennedy refused to back off from the track of his brother's assassins and began to prepare his own campaign for



the Presidency, he too was assassinated on British orders.

Playing by the rules of the game is Ted Kennedy's insurance policy. That's what makes him the foremost proponent of dope decriminalization; that's what makes him today's frontrunner for organized crime; that's what makes him the collaborator of the assassins of his brothers.

# Britain's Assassination Bureau: Permindex

Following the assassination of President John F. Kennedy in Dallas on November 22, 1963, New Orleans District Attorney James Garrison launched an investigation that led him to the doorsteps of an obscure Montreal-based corporation called Permindex, headed by the Bronfman family's attorney, Major Louis Mortimer Bloomfield. One of the directors of Bloomfield's ostensibly small international trading company, Col. Clay Shaw of New Orleans, was Garrison's chief suspect in the Kennedy murder. Shaw ran the World Trade Mart in New Orleans, a subsidiary of Permindex that was described by a former Shaw associate (1) as a front for Mafia drug-running and organized crime activity centered in the Caribbean. Shaw was the financial backer and controller of Lee Harvey Oswald during his lengthy stays in New Orleans, Garrison had established, and the District Attorney also had evidence that Shaw had been the safehouse channel out of the country (into Italy) for several unidentified persons believed to have been the real "triggers" in the Kennedy assassination. (2)

James Earl Ray, the "patsy" in the 1968 assassination of Martin Luther King in Memphis, was also a frequent visitor to Shaw's New Orleans' World Trade Mart during the month before King's murder. Ray escaped via Canada to London where he was traced and captured a month after King died. (3)

After more than a half dozen mysterious deaths of key witnesses against Permindex and a national smear campaign against Garrison run by Kennedy Justice Department troubleshooter Walter Sheridan, the New Orleans investigation into Permindex was terminated, and the entire affair quickly faded into obscurity.

After an estimated 30 to 40 aborted assassination attempts against French President General Charles de Gaulle during the 1960s, the French intelligence bureau, SDECE, exposed the same Permindex as the financier and controller of the OAS (Secret Army Organization) death squads. (4) SDECE gathered reams of evidence showing that Permindex had been the recipient of funds laundered into Geneva and Basel through Zionist "charitable organizations" and Israeli intelligence fronts such as the Bank Hapoalim of Histadrut, the Israeli trade union movement and Socialist International affiliate. These funds had been channeled into the OAS as well as into the neo-Nazi terrorist groups in West Germany and Italy.

De Gaulle issued vociferous personal protests to the Swiss and Italian governments. As a result, Permindex was forced to shut down its offices in those countries and move to a more friendly location, Johannesburg, South Africa. (5) The Paris-based Western European branch headquarters of Israel's foreign intelligence service, the Mossad, was kicked out of France and reestablished its operations in Belgium and the Netherlands.

In 1970, the prestigious Italian newsweekly Panorama published an account of the mysterious death of Italian Oil Minister Enrico Mattei in an October 1962 plane crash on his way to a historic economic summit in Africa. (6) Mattei's plane was sabotaged during a contrived unscheduled stopover at an obscure airport in Sicily. Forty-eight hours before the crash, New Orleans

mobster and Permindex associate Carlos Marcello had been identified by local police in Sicily as the mysterious American who showed up at the airport while a four-man team was tampering with Mattel's plane. Marcello owned a private fleet of chartered jets called the United Air Taxi Service, which shared its staff of pilots and mechanics with Permindex. One such "shared employee," David Ferrie, was also a pilot for Marcello and Clay Shaw. Ferrie was found murdered days after he was subpoenaed to testify before Garrison's grand jury on the Kennedy killing. (7)

Within months of the April 1978 kidnapping and murder of former Italian President Aldo Moro, the Italian Carabinieri were in hot pursuit of evidence firmly implicating Italian Jewish banker George Mantello (aka George Mandel) in the affair. (8) It was believed that Mantello's Rome villa had been the first safehouse where Moro was brought after his abduction by the Red Brigades. Weapons found in a Carabinieri raid of Mantello's villa turned out to match the weapon used to kill Moro as well as that used in the 1977 Baader-Meinhof gang kidnapping-murder of West German industrialist Hanns-Martin Schleyer. An agent of the Black Guelph House of Savoy (the pretenders to the throne of Italy), Mantello is a board member of a Permindex subsidiary, Centro Mondiale Commerciale (CMC). Mantello's Swiss holding company, Capocetto, was exposed by de Gaulle's SDECE as a conduit for Histadrut funds into Permindex. (9)

## Who runs Permindex?

Sixteen years have passed since Permindex conducted its first known assassination deployment. Despite all the accumulated evidence, none of the principals has been brought to justice; Permindex today is one of the best kept secrets in the world. What is Permindex? Who are the powerful forces protecting his nest of assassins from prosecution for crimes of high treason against no fewer than three sovereign states? As we shall soon learn, Permindex is a top-secret branch of one of the most

sophisticated and well-financed intelligence agencies in the world and a convergence point for every filthy network that we have met so far — from the British Far East banking and shipping magnates who run the dope trade at the top to the gutters where Mafiosi, neo-Nazis, and the Order of Zion function as retailers for Dope, Incorporated.

The starting point to unravel the story behind this International Assassination Bureau is the office of the chairman of its board. The founder, president, and majority (50 percent) shareholder in Permindex since its incorporation in Montreal in 1958-59 is Major Louis Mortimer Bloomfield.

Bloomfield is a man of many hats. He was a founding partner of the prestigious Hofjuden law firm of Phillips, Vineberg, Bloomfield and Goodman, the firm that represents and controls the Bronfman family holdings. Bloomfield's name was formally removed from the firm's letterhead in 1968 after the de Gaulle exposures of his Permindex assassination bureau threatened to create an embarrassment. Such cosmetic gestures, however, have little significance in the murky world of Canadian politics where the most prestigious names all appear on the board of directors of Dope, Incorporated.

Among his business holdings, Major Bloomfield controls the Israeli Continental Corporation, the Canadian subsidiary of the Dutch Heinekens Breweries, and Credit Suisse of Canada, a correspondent bank to the Credit Suisse of Geneva that was among the holding agencies exposed by SDECE for laundering "hit money" to the OAS. (10) All these corporations are listed among the investors in Permindex.

Like his law partner, Lazarus Phillips, and his clients, the Bronfmans, Major L. M. Bloomfield is an outstanding Zionist philanthropist. Among his numerous honorary positions, Bloomfield is the annual chairman of the Histadrut Campaign of Canada, which collects "charitable contributions" and passes them on to the Israeli labor movement. Curiously, these funds have been discovered on several occasions to have found their way back to Permindex after recycling through the Histadrut's Bank Hapoalim. (11)

Bloomfield's charitable activities extend into his chairmanship

of the Canadian Red Cross ambulance service, a position traditionally held by a top-ranking Knight in the Queen's official chivalric order, the Most Venerable Order of St. John of Jerusalem. As an operating arm of the Sovereign Order, the Red Cross ambulance service has been a frequently called upon front for terrorism. (12)

Bloomfield's business interests extend into the field of transoceanic shipping. A former head of the Israeli Maritime League of Canada, Bloomfield has been the Consul-General in charge of the Western Hemisphere of the Liberian government since World War II. Liberia is notorious as both a tax shelter and smugglers' port-of-call. With no shipping regulations to speak of, Liberia is the flag of convenience under which the majority of ships bearing bulk shipments of Far East narcotics are registered, and also serves as one of the secondary (\$7 billion in average daily transfers) offshore banking centers through which British drug revenues are laundered.

The only other foreign-stationed Consul-General for Liberia is Bloomfield-Perminde associate and Israeli Mossad official (ret.) Tibor Rosenbaum, whom we shall meet shortly.

Beneath his various hats as banker, philanthropist, prominent attorney, and Perminde director, Bloomfield is first and foremost an agent of the most secretive branch of Her Majesty's Intelligence service, the Special Operations Executive (SOE).

Bloomfield was recruited to the SOE by its director, Sir

William Stephenson, in 1938. (13) Stephenson, a Canadian-born protege of Round Table founder Lord Beaverbrook, appointed Bloomfield as the recruitment officer and "agent handler" for the newly created counterespionage and espionage branch of the U.S. Federal Bureau of Investigations (FBI), known as Division Five. (14)

Agents of Division Five, in turn, have been among the points of the New Orleans grand jury investigation into the Kennedy assassination. Guy Bannister, the head of the southeast regional office of Division Five (located in New Orleans) at the time of the Kennedy murder, died under mysterious circumstances shortly after the events in Dallas. (15) Bannister was the owner of a New Orleans office building that housed a number of Division Five

fronts and groups under close D-5 surveillance. These included the left-radical Fair Play for Cuba Committee and the violently anti-Castro Free Cuba Committee. Lee Harvey Oswald was alternatively a member of both these groups during various stages of his "laundering." (16) According to one source, in 1962 Bannister was also the personal conduit of at least one \$100,000 payoff to the OAS for an assassination attempt against de Gaulle. One of his agents flew directly from New Orleans to Paris to deliver the funds. In 1966, that courier, who operated a Permindex front, the Caribbean Anti-Communist League, died when he was thrown out of a sixth floor window in a San Juan Puerto Rico, hotel. (17)

How did Louis M. Bloomfield, a Canadian citizen, manage to assume a highly secretive top post within the Hoover FBI? And what's more, how did he manage to retain that post for over 30 years — even after his name had been raised in conjunction with assassinations against officials of three governments? Stephenson, using the "special relationship" that British Prime Minister Winston Churchill had cultivated with Franklin Roosevelt, arranged Bloomfield's commission as an officer in the U.S. Army (hence the rank of major) assigned to the Office of Strategic Services, the wartime predecessor of the Central Intelligence Agency. Bloomfield was only one of many Canadians brought into the U.S. military under Stephenson's auspices. (18) Stephenson was creating an SOE in-depth penetration into the American services that could run clandestine operations under an American cover. This became a particularly important feature of SOE postwar activities in locations like Italy where Churchill's open role in installing Mussolini in power had engendered a profound hatred of the British.

Unfortunately, very little of the publicly accessible information about the SOE is reliable. It is known that the SOE was created at the personal initiative of Sir Winston Churchill as an expansion of Section D (for "Destruction") of the British Secret Intelligence Service, the branch responsible for "aggressive espionage and sabotage" against enemies of the British Empire. (19) Evidently, after World War II, the United States, in Churchill's eyes, fit the definition of "enemy."

As the top secret action branch of British intelligence, the SOE operated through "cutouts," especially commercial and philanthropic fronts. Stephenson set up SOE headquarters in New York City's Rockefeller Center under the name of an importing-exporting company and established its communications and clandestine center at a resort complex at Montego Bay, Jamaica. (20) Under Major Bloomfield, Division Five's spies operated as a Christian missionary group, sending its devotees to every corner of the United States and Latin America. (21)

It should be noted that all the SOE's activities were conducted under the protective umbrella of Her Majesty's Official Secrets Act. Any British Commonwealth citizen releasing information about the SOE without the advance permission of the monarchy is liable to prosecution on charges of high treason, punishable by execution. No wonder that the reliable sources of information on the SOE are French, Italian, and West German intelligence agencies.

A relevant feature of the wartime Stephenson-Bloomfield team was its use of Mafiosi as "intelligence agents" for the U.S. OSS and FBI Division Five. Charles "Lucky" Luciano is the best-known case of a convicted drug-runner, pimp, and suspected murderer who was "rehabilitated" under OSS-SOE sponsorship. (22) Luciano was dispatched to Sicily to reconstitute old networks that had been dispersed or expatriated dur-

ing the Mussolini period. Our point here is not to provide a biography of Luciano, but to show that Permindex's Major Bloomfield came into active collusion with Meyer Lansky's narcotics syndicate by no later than the close of World War II—when he was more openly under the official auspices of the British monarchy. According to a four-part series of articles published in October 1978 in the Soviet youth magazine *Ogonyok* by Julian Semyonov,

the Bloomfield-Luciano collaboration was still operational in 1962 when Luciano was the case officer on the scene in Sicily for the

Mattei assassination. The decision to go with a plane crash was made by Luciano only after the options of hiring an OAS team or an American "leftist" controlled by a Texas oil company (invested in Permindex) were determined to be too politically explosive. (23)



Based on this profile of the many-sided Major Bloomfield, the first pieces of the Permindex puzzle fall into place. Far from being a small international trading company, Permindex is revealed to be a subsidiary branch of the most powerful, well-financed, and well-protected intelligence agency in the world — a subsidiary branch responsible for carrying out the most important political assassinations of the century. The next step in completing the Permindex puzzle is untangling the complex web of holding companies, dummy corporations, and offshore sealed bank accounts through which the Permindex Assassination Bureau works.

## The Bloomfield, Lansky, Rosenbaum circuit

Sufficient evidence has surfaced in the public record to show that Permindex is the courier channel through which the retail revenues of Dope, Incorporated are shuttled from the regional syndicates into designated secret bank accounts in Geneva, Basel, Liechtenstein, and the Caribbean.

Even in its official records, Permindex cites among its investors the regional crime czars of North America and the Caribbean, the lieutenants of Meyer Lansky. (24) From 1928, when he inherited the bootleg booze and narcotics trade from the deceased Arnold Rothstein, Lansky has been the undisputed "chairman of the board" of organized crime and the pusher behind the move into bigtime narcotics, offshore banking, and the Caribbean casino circuit. Lansky's biographer, Hank Messick, estimates that Lansky's personal fortune exceeds \$300,000,000. Messick describes the weekly ritual in which the regional syndicate couriers converge on the Singapore Hotel in Miami to deliver 60 percent of their take to the "financial wizard." From there money travels the route of Dope, Incorporated. Reports Messick:

The scope of Lansky's interests is illustrated by a trip his international courier, John Pullman, made in 1965. His first

stop was Bogota, Colombia. The Eden Roc in Miami was his next destination. In February he went to the Sands Hotel in Las Vegas, where Lansky's old bootlegging chum from Boston, Hy Abrams, was boss. In March he was conferring in Los Angeles with Mike Singer, an ex-Teamster official who had helped put together the Bank of World Commerce (a part of the Permindex infrastructure of offshore banks — ed.) with Alvin Malnik. Later in March he was in Honolulu, where the syndicate was attempting to get control of Ewa Plantation and hoped, eventually to legalize gambling. In April he was at the Peninsular Hotel in Hong Kong, where the syndicate had casinos and obtained much of its narcotics. Lebanon and its casinos were visited next. By June, Pullman was back in Switzerland where he conferred with Lansky in person. Together they visited the French Riviera to study plans for the ultimate takeover of the casinos there. (25)

The money is placed in initial deposits in any one of a number of Geneva, Basel, Liechtenstein, or Caribbean banks affiliated with Major Bloomfield's little "trading company." Several of these banks, like the Astaldo Vaduz of Miami, De Famaco Vaduz of Liechtenstein, and De Famaco Astaldo Vaduz of Geneva, are post office box fronts. These three, for example, are all listed as wholly owned subsidiaries of Permindex. As noted above, Credit Suisse, one of the more formidable laundering holes, maintains a Canadian subsidiary, also run by Major Bloomfield. (26) The Bank of World Commerce Ltd. of Nassau, Grand Bahamas, was a personal creation of Lansky's. The largest and most important banking entity in the Permindex-Lansky family was the Banque de Credit Internationale (BCI) of Basel, which was bankrupted in 1974 as part of a London upset of world financial markets. (27) BCI was itself almost indistinguishable from the infamous Investors Overseas Services (IOS), an international "mutual fund" which garnered an excess of \$2 billion in investment capital on behalf of "unnamed subscribers." (28) According to Messick, there are strong indications that the majority of those unnamed subscribers were named Meyer Lansky. IOS gained

international notoriety for its army of salesmen who crisscrossed the globe carrying satchels of cash earmarked for sealed bank accounts in every unregulated banking port in Western Europe, Latin America, the Caribbean, and the Middle and Far East.

Any sleuth attempting to trace out the originating source for the IOS funds would do well to dig out the October 8, 1967, issue of Life magazine, which detailed the following interesting triangular business relationship. (29) Sylvain Ferdman, an officer of BCI, was the business agent for the Investors Overseas Service. U.S. law enforcement officials in turn identified Ferdman as the chief bagman for the Lansky syndicate. Ferdman, a Swiss citizen, and John Pullman, an American who transferred his citizenship to Canada after a 1950s federal conviction, carried money from the Caribbean to Lansky, and then on to the BCI and Bloomfield's Credit Suisse. Pullman, in addition to his global travels, was the president and director of the Bank of World Commerce Ltd. of Nassau.

So far the picture is very neat. BCI-IOS was the Swiss side of a triangle composed of a dirty money professional hit bureau, and Meyer Lansky's retail drug business in North America and the Caribbean. Major Bloomfield's trading company in Montreal, with branch offices in Geneva and Rome (through its subsidiary Centro Mondiale Commerciale), ran the protection side of the courier operation and was on the receiving end of those funds earmarked for terrorism and political assassinations. (An assassination such as the John F. Kennedy hit or any one of the 30 plus tries on the life of de Gaulle would cost upwards of \$10 million between the preparatory work, the hit, and the cover-up, which have often involved further murders.) The remainder of the dirty money either went to the Far East to cover production costs, to maintain the internal machinery of organized crime, N.A., or to investment in "legitimate" business, and so forth.

The picture takes on additional political implications as we probe further into the Banque de Credit Internationale.

BCI was originally established in 1959, at the same time Major Bloomfield founded Permindex as an intelligence and financial front for the Israeli Mossad.

BCI's founder and president was Tibor Rosenbaum, a close

associate of Bloomfield from at least the end of World War II when both smuggled weapons, money, and mercenaries into the Haganah. (30) Rosenbaum was subsequently appointed the first Director-General for Finance and Supply of the Mossad (1948). An Austrian Jew who graduated from the economics department of the University of Vienna (31), Rosenbaum, in addition to his Mossad affiliation, was a cofounder of the World Zionist Congress and a director of the Jewish Agency. The Jewish Agency in turn created the Bank Hapoalim as the official agent for the Israeli labor movement, Histadrut.

With the exception of Major Bloomfield, Rosenbaum is the only foreign representative of the African smugglers' paradise, Liberia.

The BCI was ostensibly founded as a vehicle for financing illegal Israeli trade with Africa and the Third World; however, this half-truth served merely to justify its location in the world capital of secret banking, Switzerland, and its relationship to the Mossad.

The picture emerges in full upon discovery of another member of the BCI board of directors: Ernst Israel Japhet. Japhet brings us straight back to the London banking circuit that runs Dope, Incorporated.

Who is Ernst Israel Japhet in addition to his membership on the board of the bank that serviced Meyer Lansky's retail revenues from narcotics, gambling, prostitution? Japhet is the chairman of the Bank Leumi, the largest bank in Israel, which we have already identified as a link in the diamonds-for-dope trade into Hong Kong. The latest heir of a German Hofjuden banking family that traces its roots back centuries, Japhet was bought up by the Quaker Barclays Bank of London, that created the wholly owned subsidiary Charterhouse Japhet. The Japhet family's more recent roots go back to Hong Kong's opium trade, into which the family moved 150 years ago and never left (see Part II). The Japhet bank was the granddaddy of the Palestine-to-Hong-Kong dope-for-diamonds trade, now run by Bank Leumi under Mr. Japhet, now on behalf of his 100 percent owners in London at the staid offices of Barclays.

Joining Japhet on the board of Leumi is Baron Stormont

Bancroft, a member of the Hofjuden Samuel family, a former Lord-in-Waiting to the Queen and a director and deputy chairman of Cunard Lines, a shipping company heavily involved in the drug traffic over Middle East, India, and Far East routes. (32)

Bank Leumi keeps its hand in the drug trade through its 100 percent owned subsidiary, Union Bank, of which Ernst Israel Japhet is also chairman. Union Bank deals over one-third of the world's diamonds.

Under Japhet, Bank Leumi bought into international terrorism in 1976 when it took over the American and Argentinian subsidiaries of the Banque pour le Commerce Continentale following its bankruptcy. The BBC's branch in Montevideo, Uruguay was the investment vehicle for the Israeli-Argentinian financier David Graiver, who was the financial advisor for the Argentine Montaneros. Graiver disappeared under strange circumstances in 1976. It was publicly reported that he died in a plane crash; however, subsequent reports speculated that he had clandestinely moved to Israel. (33)

Bank Leumi was not the only Israeli bank to heavily invest in the Banque de Credit Internationale. Even more heavily involved is the Bank Hapoalim. As chairman of the Canadian Histadrut Campaign, Major Louis Mortimer Bloomfield of Perminex maintained direct cash flow relations to Hapoalim. (34)

The Bank Hapoalim, the third largest bank in Israel, was founded by the Jewish Agency, which runs the bank today. Its founder and present board member, British High Commissioner Viscount Erwin Herbert Samuel, belongs to the same Samuel family that retains interests in Bank Leumi and Cunard Shipping Lines. Viscount Samuel presides as head of the Israeli Red Cross, an official branch of the Most Venerable Order of St. John of Jerusalem. (35)

Bank Hapoalim has been widely exposed in the Western European press as a dirty-money channel into Swiss and Liechtenstein banks. (36) The charge is corroborated by the presence of Bank Hapoalim director Zwi Recheter on the board of Rosenbaum's BCI.

Another channel of Bank Hapoalim's complicity is the

Permindex family of dope traders and assassins is the Israeli Continental Bank Ltd., a 50-50 joint venture between Bank Hapoalim and its West German Socialist International counterpart, Bank fur Gemeinwirtschaft. The German bank is chaired by Walter Hesselbach, a member of the West German branch of the Jerusalem Foundation, the Zionist branch of the Order of St. John of Jerusalem. (37)

Stepping back for a moment, what have we now pieced together? Within the sealed accounts and well-guarded board room of the Banque de Credit Internationale we have uncovered yet another point of convergence of the three divisions of Dope, Incorporated: the production-distribution wholesaling division represented by Bank Leumi director Ernst Israel Japhet, the criminally syndicated retail division represented by the Lansky bagmen Pullman and Ferdman, and the murder division represented by the cash flow into Permindex. We have now established that Israeli banking and the Israeli Mossad are cutouts — like their Hofjuden sponsors — of the British monarchy, which runs the whole show through its merchant banks and its Knights of St. John.

## The Nazi connection

Having set all the pieces in their appropriate places, we have sketched the outlines of both an operational flow chart for Dope, Incorporated (See Figure 1) and a global network of professional murderers, narcotics traffickers, secret intelligence officers, and portly London bankers and aristocrats.

Now let's return to the original question: what is Permindex? Working under SOE "case officer-in-charge" Major Louis Mortimer Bloomfield, at the executive offices of Permindex and its subsidiaries — the Centro Mondiale Commerciale, the Italo-American Hotel Corporation and Capocetto — is a rogue's gallery of Nazis and Fascists, underworld bosses, and feudal throwbacks - the sort of cast one would expect to encounter at the seat of

International	Murder,	Inc.
Begin with Prince Gutierrez de Spadafora, the former		

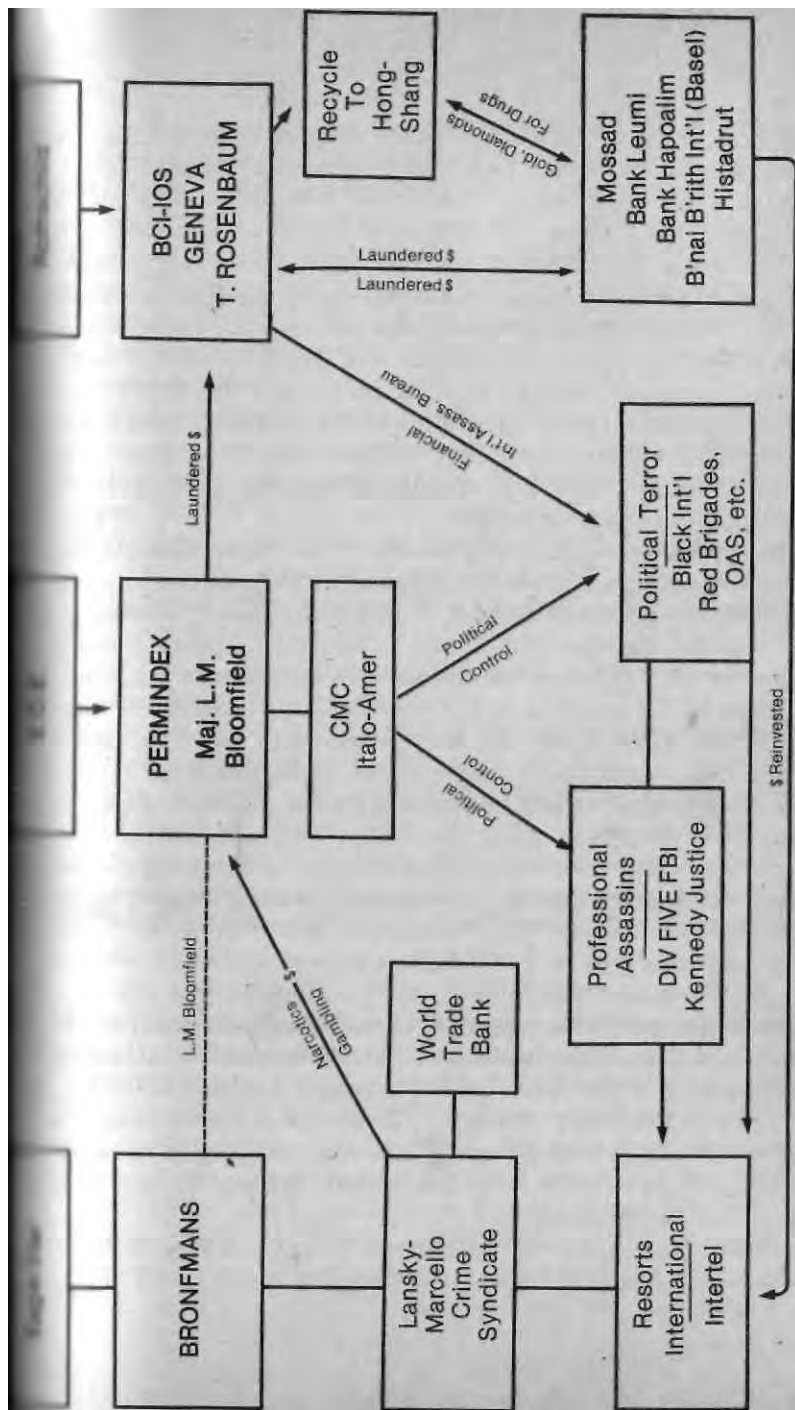


Figure 1. Dope Inc. Assassination Bureau

Undersecretary of Agriculture for Benito Mussolini. Spadafora is a director of Centro Mondiale Commerciale and the president of the Sicilian Compagnia Amatrice Industriale Petrolifera Armatoviole, a front for illegal arms smuggling. (38) The prince's son married the daughter of former Nazi Finance Minister Hjalmar Schacht, the architect of the Nazi economic policy that led to the extermination of millions of Jews. Schacht's other son-in-law was Nazi SS Colonel Otto Skorzeny, Hitler's Special Operations executive. After receiving a slap on the wrist for his wartime crimes against humanity, Skorzeny established the Spanish-based ADSAP Corporation, which hired out former Nazi SS paramilitary and intelligence specialists for projects arranged through Schacht. (39)

George Mantello (a.k.a. Mandel), the Romanian Jewish emigre whom we already encountered as a chief suspect in the Aldo Moro kidnapping-murder and who was under investigation by both the French SDECE and Garrison, is at once a board member of CMC and the owner of Permindex's Capocetto subsidiary. Capocetto was revealed by several Italian journalists (40) to be the liaison between the B'nai B'rith International and such terrorist gangs as the Red Brigades and the Baader-Meinhof, as well as a string of neo-Nazi groups in West Germany and Italy. Implicated B'nai B'rith officials included B'nai B'rith International Director Schlumberger, B'nai B'rith Continental (the West European branch housed in Basel) chief Erlich, B'nai B'rith France (also known as Ligue Internationale contre l'Anti-Semitisme, or LICA) head Jean Pierre-Bloch, and B'nai B'rith Austria director George Bloch.

Mantello is the financial advisor and investment banker for the House of Savoy, the pretenders to the nonexistent throne of unified Italy and the black nobility sponsors of Mussolini. (41)

The administrative officer of Permindex is Max Hagerman, the editor of the West German right-wing newspaper National-Zeitung, Israeli media have denounced National Zeitung as a "neo-Nazi" publication.

Ferenc Nagy was the President of Hungary during the Nazi occupation. Nagy tendered his resignation as President in 1946



via an infamous telephone call placed from a bank lobby in Geneva. A member of the Eastern European branch (founded by the Radziwill family) of the Order of St. John of Jerusalem, Nagy relocated to the United States during the 1950s. Here he became the titular head of a number of White Russian-Eastern European groups which performed covert services for Allen Dulles and Division Five of the FBI in Eastern Europe, employing former members of the Hungarian fascist movement, Arrow Cross. (42) According to one source, Nagy came under the close scrutiny of New Orleans District Attorney Garrison for possible involvement in the John Kennedy assassination. (43) Nagy was in Dallas for the four-week period leading up to November 22, 1963, as case officer for Perminindex and Division Five. Along with Nagy, Garrison was investigating the simultaneous surfacing of George Mantello in Los Angeles. Garrison established that Nagy and Mantello were both business and personal associates of Carlos Marcello, the New Orleans lieutenant of Meyer Lansky who carried out the assassination of Enrico Mattei.

Giuseppe Zigiotta, on the board of CMC, is the head of the House of Savoy Italian neofascist movement called the Fascist National Association for the Militia Arms.

Carlo D'Amelio, another Perminindex-CMC board member, is an agent for the Italian black nobility houses of Savoy and Pallavicino. From the Mussolini period, d'Amelio was the attorney representing the grouping of oligarchical families that imposed the fascist dictator in collaboration with Sir Winston Churchill. This grouping was known as Circo Rex ("Royal Circle") and is believed to exist today as the control point for the Red Brigades, the neofascist cells, and the Autonomi (a mass-based anarchist counterculture movement parallel to the youth movements out of which Mussolini recruited his Black Shirts.)

The Pallavicini family, in addition to its sponsorship of terrorism and destabilization against the Italian government, is deeply involved in the Lebanese fascist movement, the Falange, through blood ties into the Coptic Christian families of Lebanon. On November 11, 1978, the Italian government's antiterrorist director, General Delia Chiesa, delivered a significant setback to

this oligarchical network by arresting Paolo Sebreghondi on charges of conspiring with the Red Brigades in the assassination of Aldo Moro. Sebreghondi is the son of Countess Viondi and grandson of Princess Resta-Pallavicino, the former maid-in-waiting to the Queen of Italy. Paolo's brother, Stefano Sebreghondi, known to be presently hiding in Mexico, is also being sought by Delia Chiesa in the same case. The exposure of this long-concealed link between the ostensibly gutter-level left radical Red Brigades and the Houses of Savoy and Pallavicini — the employers of d'Amelio and George and Enrico Mantello — establishes the chain of court admissible evidence for the Permindex role in carrying out the murder of Aldo Moro at the behest of the Black Nobility centered in London.

One of the principal channels of laundered money for Permindex-CMC's assassination teams is in the Seligman Bank of Zurich, a bank represented directly on the board of International Assassination Bureau by Hans Seligman, the director of the bank.

Although not an officially cited board member of any of the Permindex fronts, John De Menil bears special note as an indispensable business partner of Major Bloomfield. DeMenil is the president of the Schlumberger Corporation of Houston and southern Florida. The firm was implicated by Jim Garrison along with Permindex in smuggling guns and explosives to anti-Castro Cuban exiles who also came under investigation for the Kennedy assassination. DeMenil worked with a CIA Miami-based front called "Double-Chek," which in turn was a contact point for Major Bloomfield's FBI Division Five. (44)

DeMenil is a White Russian emigre who fled to France, married into the wealthy Schlumberger family, and eventually settled in Houston to open a U.S. branch of the family's heavy machinery firm. DeMenil was a close associate and contact man for Permindex case officer Nagy during the preparation period for the Kennedy assassination. (45)

One of DeMenil's closest associates is Col. Clay Shaw, a member of the Permindex-CMC board. Shaw was Garrison's chief suspect in the Kennedy killing and is the business partner of

Carlos Marcello. Shaw's circle of former associates who mysteriously died before they could testify before D.A. Garrison included: David Ferrie, Shaw's former pilot and employee at the World Trade Mart; Guy Bannister, the southeast regional chief of Major Bloomfield's Division Five of the FBI; and George de Mohrenschildt, a White Russian leader who allegedly committed suicide on the eve of his scheduled appearance before the House Assassination Panel. The day of his death he was interviewed by journalist Edward Jay Epstein, a self-admitted ghost writer and stringer for former Central Intelligence Agency counterintelligence director James Jesus Angleton. (46)

No discussion of Permindex, Division Five, or Major L.M. Bloomfield would be complete without a note on the controversial Mr. Angleton. This is not the time to reach any verdict on Angleton's place in the international hall of fame of assassins, dope pushers, and spies. We merely note a fantastic coincidence of facts. As head of counterintelligence for the CIA for nearly 30 years, Angleton was the official in charge of all activities relating to terrorism, assassinations, and international narcotics traffic. As the head of the Israeli Desk, he was also the liaison chief to the Mossad. Among his other responsibilities at the CIA, Angleton ran the Vatican desk, a position that placed him equally in touch with the House of Savoy. This last connection would have been solidified way back in the 1940s when Angleton was the OSS station chief for Italy, and therefore the officer in charge of OSS special agent Charles "Lucky" Luciano.

In short, Permindex's roster of directors and associates makes a mockery of everything the Zionist Lobby professes to stand for. The Montefiores, the de Hirschs, the Rothschilds, and their Bronfman and Bloomfield retainers are at once the most zealous leaders of the Zionist Lobby and the sponsors and controllers of a criminal network that extends to self-professed Nazis. It is time to bring before the courts the persons of Louis Bloomfield, Tibor Rosenbaum, the directors of Bank Leumi, of Bank Hapoalim, of B'nai B'rith International, of the Histadrut. Among the long list of indictments, one of the charges would be violation of the

Nuremberg statutes for crimes against humanity — for deploying drug-runners and convicted Nazis for assassinations of world-shaking importance. Before the Zionist Lobby shouts "anti-Semitism," it must explain the composition and directorate of Permindex, which exposes once and for all the real controllers of the Nazi "Black" International.

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## Perminindex Unveiled: Resorts International -Intertel

In September, 1974 less than four weeks after President Richard Nixon was driven out of office, Evelyn de Rothschild, Walter Hesselbach, and a handful of others conspired to bring down the Banque de Credit Internationale (1). The collapse caused a momentary panic on the international financial markets and more longterm financial problems for such people as Nixon and Michele Sindona, the Italian banker, whose poor judgment led them to place their money in the hands of IOS. Did this financial catastrophe spell the end of Perminindex? After all, BCI had been one of the centerpieces of the dirty money side of Major Bloomfield's assassination bureau.

Not only did the International Assassination Bureau survive the September 1974 events, and the earlier shunting of Perminindex to South Africa. Pulling the plug on the BCI appears to have been a loud diversionary maneuver to obscure the fact that quietly, systematically, over a period of years, the Perminindex capability was upgraded, expanded, and relocated to a spot only miles off the coast of the United States: Paradise Island in the Grand Bahamas. Here stands the corporate headquarters of

Resorts International and its wholly owned subsidiary "security division, International Intelligence ("Intertel").

Forget about the pictures of Resorts International in glossy travel brochures or the advertisements in the Travel Section of the Sunday New York Times. Scarcely concealed among the palm trees, the swimming pools, and the all-night casinos and nightclubs is Major Bloomfield's Royal Commission of High Executioners — and billions of dollars in dope. Barely hidden behind the Resorts International letterhead is the eminence grise of organized crime, Meyer Lansky.

Beginning no later than 1960, Lansky hatched a grand scheme to create a "Hong Kong West" (2) in the Caribbean: an offshore center that would bring together gambling, narcotics, dirty money, and Murder Inc. under one unregulated and "highly respectable" roof.

First, Lansky picked the Grand Bahamas Island as the site for a plush casino-resort. Operating through a Canadian "cutout," longtime business associate Louis Chesler, Lansky negotiated a purchase of a large tract of land on the island and oversaw the construction of a grand hotel, the Lucayan Beach Hotel, which was completed and opened for business before the end of 1963. (3) At the time the venture began, casino gambling was illegal in the Grand Bahamas — except for those hotels that received a Certificate of Exemption from the Bahamian government. The most powerful political figure on the island, chief of the so-called "Bay Street Boys," was Sir Stafford Sands. Several meetings between Sands and Chesler and \$1,800,000 in bribery later, Lansky received his Certificate of Exemption on March 27, 1963. On January 22, 1964, the casino at Lucayan Beach was opened under festive circumstances that Hank Messick described as follows:

The international jetset was on hand to give the event some class, but Meyer Lansky's veterans were in complete control. Red Ritter was general manager; Max Courtney was credit manager; Charley Brudner was his assistant; Dino Cellini was supervisor, and so on. As a matter of fact, Dino had operated a school in London to train the dealers and stick men who came originally from Sicily by way of the syndicate casino on the Isle of Man in the Irish Sea. (4)

Phase One of Lansky's "Operation Respectable" completed, the old wizard proceeded with the next steps. First, he cleared the way for a consortium of "legitimate" investors headed by the Miami-based Mary Carter Paint Company to buy into Hog Island (renamed Paradise Island by its owner Huntington Hartford, the multimillionaire magnate of the Great Atlantic and Pacific Tea Company) and to receive a Certificate of Exemption for the construction of a hotel-gambling casino. Sir Stafford Sands, now in Lansky's hip pocket, saw these measures through and simultaneously announced that the Bahamian government was undertaking the construction of a bridge connecting Grand Bahamas to Hog Island, to be completed by December 31, 1967. (5)

What sort of weird entity was Mary Carter Paints and why had Meyer Lansky gone out of his way to open all the doors on Bay Street to it?

To begin with the obvious, Mary Carter Paint Company was involved in more than wall coverings. In 1958, it was effectively taken over by merger with the Crosby-Miller Co. — a Florida company about which little is known except that former New York Governor and two-time Republican presidential candidate Thomas Dewey was one of its biggest investors. (6) Dewey's "Mr. Clean" crimebuster reputation, dating back to his days as special prosecutor during the 1940s, was a perfect cover for Lansky's move to Paradise Island.

Via the 1958 merger, the president of Mary Carter Paint Company was James M. Crosby. Crosby's brother, Peter Crosby, was a convicted stock swindler and a close business associate of Dino Cellini. Cellini was the first lieutenant to Meyer Lansky and was known as Florida's "connection" to Canadian heroin trafficker Guiseppi Cotroni. So even with Gov. Thomas Dewey's Anglophile profile on the label of every can of Mary Carter Paint, the product was severely tarnished by bigtime crime.

Fidel Castro's takeover of Cuba in 1959 had been a bitter pill for the Lansky syndicate to swallow; however, it taught the old wizard a valuable lesson: don't take politics for granted. Before he socked tens of millions of dollars into his Grand Bahamas dreamland, Lansky would make absolutely certain that he was treading on solid political ground.

So, in 1964, Lansky arranged a small scandal centered around

the sudden "revelation" that Lucayan Beach promoter Lou Chesler had connections to organized crime boss Meyer Lansky! Chesler left the island no doubt laughing all the way to the bank, and Lansky became invisible.

Next, Lansky moved to overthrow the deeply entrenched and corrupted Bay Street Boys (the "Batistas of the Bahamas") and impose a new government committed to the public welfare of the Bahamian population — as long as the welfare was provided by revenues from lucrative gambling takes. Covertly, Lansky political operatives — often men like Big Mike McLaney, who had been Lansky's bagman for payoffs to Cuban dictator Batista — began to heavily bankroll the Progressive Liberal Party representing the islands' black majority. (7)

At the same time, Lansky began releasing blackmail dossiers on the Bay Street Boys. First, James Crosby went to the Justice Department to meet with Robert Peloquin of the Organized Crime Strike Force. Crosby clinched a deal with Peloquin (representing Robert Kennedy's "secret team"). Shortly thereafter Peloquin launched a full-scale investigation into "corruption in the Grand Bahamas" — using the evidence provided through Lansky. Another Lansky frontman, Tex McCrary, began leaking material to the press. McCrary's leaks enabled the Wall Street Journal to win the 1966 Pulitzer Prize for a lengthy series of articles exposing the connections between organized crime and the ruling political elite of the island — the Bay Streeters. (8)

Following the Crosby-Peloquin meeting, in 1965 the Internal Revenue Service — in conjunction with the Organized Crime section of the Justice Department — embarked on "Operation Tradewinds," ostensibly an investigation into "hot money" operations in the Bahamas. Heading the IRS side of the investigation was William Koler. Running the effort from the Justice Department was Robert Peloquin, working in close contact with Organized Crime and Racketeering section head Henry Peterson and Criminal Division head William Hundley.

By Christmas, 1966, growing scandals had presented the Bay Street Boys with a fait accompli. They called for elections and, on January 10, 1967, were driven out of office by the Progressive Liberal Party. Progressive chairman Lynden O. Pindling



became Premier, and he petitioned for the convening of a Royal Commission of Inquiry to handle the organized crime penetration and control over Bay Street. The commission was convened in February 1967 under the chairmanship of Sir Ranulph Bacon, former head of Scotland Yard. Its investigation was based almost exclusively on the Lansky dossiers, which were passed on to Sir Ranulph by the Operation Tradewinds crew. (9)

By March 1967, all competitors with Mary Carter Paint Company had withdrawn their bids on the Hog Island land in fear that they would be exposed for their corrupt ties to Bay Street. Before the end of the month, Sir Stafford Sands packed his bags and retired to a castle in Spain.

Lansky, as the business agent for Dope, Incorporated, had completed a most silent coup d'etat. In rapid succession, all the rats surfaced to claim their just rewards.

Peloquin and Hundley "retired" from the Justice Department, opened up a law firm, and within a month were retained to manage the legal affairs of "Resorts International" — the new name adopted by Mary Carter Paints in 1966 when it made the bid for Hog Island. Both men became vice presidents of Paradise Enterprise, Inc., the Resorts International subsidiary that owns the island. By 1970, Resorts had created a wholly owned subsidiary private security army, Intertel. Its cofounders (who started off with a \$2,000,000 commission from Resorts) were Peloquin, who became president, and Hundley, who became the secretary and the general counsel. Their initial recruits were drawn principally from the Operation Tradewinds taskforce, beginning with former IRS Intelligence Division head Koler. What Permindex had previously done under a shroud of secrecy and multiple layers of cover, Intertel was set up to do on a grand scale — before the public eye under the cover of crime control!

Before we look at Intertel and its personnel, more closely, it is important to set a few things straight about the investment capital that went into the construction of Resorts International.

Resorts International was financed largely with a transfer of funds from the Banque de Credit Internationale of Tibor Rosenbaum and Major Louis Mortimer Bloomfield, and the Investors Overseas Service of Bernie Cornfeld and the Rothschild family.

An estimated \$14 million in transferred monies traveling through Meyer Lansky's World Trade Bank and the Fiduciary Trust Company of Nassau, a wholly owned subsidiary of IOS, found their way into Resorts during its half-dozen formative years. (10)

Furthermore, by the agreement that first cleared the way for the granting of the property title, the construction rights, and the vital Certificate of Exemption, 44 cents on every dollar of profit taken in at the Paradise Island casino goes to the Lucayan Beach Hotel and Casino Corporation — still largely owned by Meyer Lansky through his Canadian business partner Lou Chesler.

From its investors' side then, Resorts International is indistinguishable from the previously Geneva and Basel-headquartered Permindex-BCI-IOS — a nexus that we have shown to be founded on the revenues of Dope, Incorporated. Resorts International equals bigtime drug trafficking: cocaine and marijuana from the Caribbean and South America, LSD and hashish produced in factories in the Bahamas, Costa Rica, etc., with venture capital provided through IOS. Resorts International's stationing on Paradise Island created the "Silver Triangle" — a dope route up through the Caribbean that the U.S. Drug Enforcement Administration estimates to be the source of over \$7 billion a year alone in narcotics passed through the southernmost tip of Florida.

## Perm index moves to Bay Street

As the guts of BCI moved to Paradise Island, so the Permindex murder ring moved to Intertel. No longer was the Special Operations Executive to house its secret assassination teams in trading companies, Christian missionary schools, and commercial executive airline services. Murder, Inc. was to become part of the respectable, Kennedy "liberal establishment," flaunting itself as a private intelligence army for hire.

Of course, occasionally old methods of cover were demanded when inquiring reporters, grand juries, or congressional committees threatened to come a bit too close to the truth. Thus, when Intertel was brought before the Senate Watergate Committee for possible investigation, it was officially described as a

"commercial firm that specialized in the identification of typewriters." (11)

What is International Intelligence? A "Who's Who" listing of its board and senior staff reads like a printout of British intelligence, the Mafia, and Mossad.

Intertel President Robert Peloquin was a troubleshooter on the Kennedy Justice "secret team" under Walter Sheridan. A World War II naval intelligence officer assigned to the Office of Naval Intelligence, Peloquin was transferred to the National Security Agency where he remained until moving to the criminal division of the Justice Department. In 1966, Peloquin was sent to Buffalo to head up the first official Organized Crime Strike Force in the country. Peloquin's "no crime here" coverup of the Jacobs family syndicate (see Section 5) was so well received that his boss, Henry Peterson, was gratefully hired as general counsel for the Jacobs' Sportsystems Corporation and let loose with a \$1 million annual budget. Hundley and Peloquin run Intertel; Peterson runs Sportsystems; all three have been partners in the same law firm since 1976.

Hundley, the secretary and general counsel for Intertel, spent the 1951-57 years in the Internal Security section of the Justice Department. In that capacity, Hundley would have liased with the Division Five of the FBI headed by Perminde's Major Louis Mortimer Bloomfield. From Internal Security, Hundley moved onto the Kennedy Justice "secret team" and participated in the prosecution of Teamster President James Hoffa.

Sir Ranulph Bacon, the former head of Scotland Yard who conducted the Royal Commission inquiry that cleaned out the Bay Street Boys for Lansky, cashed in his chips by moving on to the Intertel board.

John D. O'Connell is the executive vice-president of Intertel in charge of its New York City operations. A 24-year veteran of the FBI, O'Connell was the supervisor of all FBI intelligence activities related to organized crime.

Thomas J. McKeon, vice-president and assistant general counsel, was a supervisor with Major Bloomfield's FBI Division Five before he went to Detroit to head up the Organized Crime Strike Force.

David Belisle, a member of the board, was the Deputy Director

for Security at the State Department and subsequently the head of the Security section of the National Security Agency.

Edward M. Mullin, presently Intertel's director of intelligence operations, was with Division Five of the FBI and later with the CIA as an assistant deputy director in charge of clandestine services. Mullin's private security front in Washington, D.C., was infamous as the base of operations for E. Howard Hunt during the time of the Watergate breakin. Mullin is also directly tied into the Miami Double-Chek outfit that is implicated in several Permin-dex-run assassinations, including the JFK killing.

Among the other board members and ranking staff of Intertel are: a retired director of the Royal Canadian Mounted Police; a president of the Bronfman family's Royal Bank of Canada Trust Company; a president of the Dreyfus Corporation, an investment fund owned by the Hofjuden de Gunzberg family, into which the Bronfmans are intermarried.

What do we have here? First we have Resorts International, financed through the Geneva-Basel retail revenues of Dope, Inc. The manager of Paradise Island for its first half decade of operation (1968-73) was Eddie Cellini, the brother of Dino Cellini and another well-known lieutenant of Meyer Lansky. (When Cellini's criminal record became a potential sore spot for Resorts, he was discreetly shipped off to Miami where he now handles "charter flights" between Florida and Paradise Island — flights that may shuttle more than paying customers.) In 1972, Robert Vesco came a hairsbreadth away from buying majority holdings in Resorts International for \$60 million — a transaction that was heartily endorsed by the "supersleuths" at Intertel. (12)

If Resorts International is a glossy front for Meyer Lansky's retail end of the biggest business in the world then what does that say for its wholly owned subsidiary, Intertel? Is it conceivable that this collection of senior officials from the most prestigious and sophisticated intelligence services of the United States, Canada, and Britain could be oblivious to the fact that they are "riding shotgun" for one of the biggest channels of narcotics and hot money in the Western Hemisphere?

Intertel stands exposed as the successor to Major Bloomfield's Permin-dex, drawing on the same SOE-Division Five capabilities,

the same "direct line" interface into the official intelligence branches of half the countries in the world, the same allegiance to the British oligarchy behind the \$200 billion a year Dope, Inc. While the motives may vary case by case, it is sufficient to say that anyone on the inside of Intertel attempting to break from its service and spill the beans would have about the same chance for survival as a Royal Hong Kong police officer who decided to turn down his weekly bribery envelope.

With the consolidation of Resorts International, we once again swing full circle. From a Prohibition-era jumping-off point of syndicated organized crime in the United States — fostered by the same British families that had ordered the Shanghai massacre to safeguard the rule of Dope, Inc. in China — we now find ourselves 50 years later confronted by a criminal infrastructure lobbying for the decriminalization of crime itself! The Kennedy Justice, Scotland Yard, and RCMP boys at Intertel sell their services as "experts in cleaning out undesirable criminal elements from your corporation." (13) Through this ruse they captured the Howard Hughes fortunes and are at present taking over "security services" for all the big Las Vegas casinos. (14) They moved into New Jersey and imposed gambling, horse racing, and numbers as the three "growth industries"; they are now posing New Jersey as the model to be followed by Florida, Arizona, Rhode Island, Massachusetts, and New York.

After World War II, one of the economic warfare specialists in Sir William Stephenson's SOE, a fellow named Ian Fleming, wrote a series of coded novels describing the efforts at world conquest of a "third force" — an ultramodern international crime syndicate housed in the resort islands of the Caribbean. The weapons of "third force" conquest were drugs, political assassinations, grand-scale blackmail, and economic war against the nations of the world. With Resorts International-Intertel, Fleming's "third force" — the British oligarchy's Dope, Inc. — put itself up for trade on the stock markets of the world.

# 5

## The Jacobs Family's Emprise: Sports and Crime

On June 2, 1976, moments after a bomb exploded in his car and inflicted fatal injuries, dying Arizona investigative reporter Don Bolles whispered three words to the rescue team that pulled him from the wreckage: "Mafia . . . Emprise . . . Adamson."

Bolles was on the verge of completing a seven-year investigation of laundered drug traffic money in the state of Arizona, including organized crime takeovers of dog tracks and horse racing—areas the Buffalo-based Jacobs family began moving into in 1959. A Phoenix resident, John Adamson, pleaded guilty to the murder in January 1977, naming a local real estate developer, Max Dunlop, as the man who hired him to murder Bolles. Mysteriously, no investigation ever took place of Emprise, the leading vehicle since 1916 of the Jacobs family, which had been the primary target of Bolles's investigation and the subject of his last words.

Emprise was one of the largest nonpublic, family-owned corporations in the world, a conglomerate with control or partial control over 450 separate companies. Its stated annual profit is \$350 million, from holdings in North American and British

sports complexes, race tracks, and food consortia. It is probably the biggest quasi-legitimate cover for organized crime's money laundering in the United States. Were it a public company, it would rank about 150 in the Fortune 500.

The Jacobs family's only concession to the numerous attempts by law enforcement agencies to shut them down was to change Emprise's name to Sportsystems in 1972.

The vast extent of the present Jacobs empire is approximated by Sportsystems' 1977 declared holdings. The pattern that emerges conforms to the requisites of an international laundering racket for narcotics, prostitution, and gambling receipts.

Sportsystems Corporation maintains:

- \*majority interest or significant minority interests in over 20 horse racing tracks in the United States and Canada;

- \*food concessions at over 40 horse racing tracks in the United States and Canada plus another 15 in England. Those in Great Britain are maintained in the name of Sportsystems' wholly owned subsidiary, Letheby and Christopher Ltd., chaired by a retired British Army colonel, Livingstone Learmouth;

- \*over ten greyhound racing tracks in the United States and Canada, including majority holdings in nearly every track in the heavily drug-trafficked state of Arizona;

- \*24 concession contracts with major-league baseball teams in the United States, including Chicago's Comiskey Park and Detroit's Tiger Stadium;

- \*ownership of the Boston Garden indoor professional sports complex and the Boston Bruins professional ice hockey team;

- \*ownership of Professional Sports Publications, Inc., the largest U.S. publisher of sports events programs;

- \*161 concessions at theaters and bowling alleys in the United States;

- \*15 airport concessions, including in-flight and ground-level concessions at Washington, D.C. airports and Palm Springs, Florida;

- \*two jai alai stadiums (legal gambling facilities) in Florida;

- \*industrial food catering services at such locations as the Gulf of Mexico oil drilling platforms; and

- \*one Alaska-to-Seattle cargo fleet comprised of six ships. This

route curiously parallels the prime entry point to the U.S. of Chinese heroin.

Within this maze of operations, each characterized by a high volume of cash turnover, the \$350 million figure is a fraud, published for tax purposes. Law enforcement sources estimate the annual flowthrough of tainted cash in the range of several billions of dollars.

That is not conjecture. Emprise and its incarnation, Sport-systems, left a broad trail of investigations, indictments, and convictions, occurring mainly during the years of Nixon's War on Drugs—a trail that ended with the Bolles murder. In 1972, the family firm was convicted of conspiracy to take over a gambling casino in Las Vegas by illegal means. That incident, among other things, provoked the change of the Emprise name. Indicted along with the Jacobs brothers were some of the best-known faces in the mug files of the Justice Department's Organized Crime Strike Force. Among the co-conspirators were top racketeers, drug traffickers, and the entire leadership of the Detroit mob, including

\*Anthony Zerilli, son of Joseph Zerilli, Detroit's mob boss and an official of the Emprise subsidiary, Hazel Park Racing Association;

\*Michael B. Polizzi of Grosse Point, Michigan, an owner of the Valley Die Cast Association, identified as a Detroit mob lieutenant in police files;

\*Anthony Giordano of the "St. Louis Banana Distributing Company," the kingpin of St. Louis drug traffic;

\*Peter J. Bellanca, also a director of the Emprise-owned Hazel Park Racing Association; and

\*Jacob Shapiro, a Detroit-Miami mobster, with interests in Las Vegas' Silver Slipper casino.

Conviction in the same dock with known mobsters did not deter the Jacobs family. Since 1972, they have continued to act as money-movers and bagmen for a whole list of organized crime figures. Several large loans to crime syndicates are on the record, including a \$2 million 1972 loan to the Montreal Expos—owned by their old sponsors and counterparts across the Canadian border, the Bronfman family of Montreal. An earl-



ier recipient was convicted murderer Raymond Patriarcha, the crime boss of Rhode Island. Louis Jacobs, one of the three brothers, brought Patriarcha into a partnership in the Chicago Lion Manufacturing Company, since renamed the Bally Manufacturing company, the largest American producer of pinball and slot machines and the source of supply for the mob's pinball distribution. Also on the list of the Jacobs' "loan" recipients are a number of associates of syndicate financier Meyer Lansky, including Morris Dalitz, according to testimony introduced into the Congressional Record (1).

A Michigan grand jury is currently hearing a case implicating the Jacobs' Sportsystems and the Jacobs brothers personally in an attempt to tamper with Michigan state criminal records involving members of the Zerilli mob and St. Louis crime figure Morris Shenker.

Despite a record of criminal activity stretching back to the 1910s—and never interrupted—the Jacobs family remains one of the open, "legitimate" fronts for Dope, Incorporated. Not only is the Jacobs family protected, but, as we will document below, it retains a group of veterans of the Kennedy Administration's Organized Crime Strike Force as its legal department.

Emprise appeared in 1916, the year that the Bronfmans and the Hudson's Bay Company began bootlegging through the "Pure Drug Distribution Company," using the three Jacobs brothers as contacts right across the border in Buffalo. The original Jacobs brothers, Louis, Marvin, and Charles, used the old smugglers' cover of "food concessions" for a chain of vaudeville theaters on the Canadian border crossing points at Buffalo and Cleveland. (2) The modus operandi is pretty much the one Mitchell Bronfman used during the early 1970s for smuggling heroin into the United States. Once established, the Jacobs machine became a leading distributor for Bronfman liquor as the United States went dry.

Functionally, Emprise represented the "throttle" through which shipments of liquor could be turned on or off to the American mob. The Jacobs family, enduring a half-dozen criminal indictments through the 1920s, controlled the supply and financing of illegal booze for most of American organized crime.

Their dependents included the Purple Gang of Detroit, the gang convicted with the Jacobs brothers in the 1972 Las Vegas incident; the Morris Dalitz Cleveland-Las Vegas crime syndicate; and the Crown-Lundheimer mob in Chicago, the Zionist controllers of the colorful "cutout" Al Capone. (3) Not only are these ties still in place; every man who tried to do something about them is either dead, like reporter Don Bolles, or broken, like former Arizona Congressman Sam Steiger.

## The Steiger investigation

Beginning in 1970, five-term Arizona conservative Congressman Sam Steiger began an investigation into Emprise's activities in his home state. Working closely with Bolles, Steiger prepared a series of reports for the House Select Committee on Crime, of which he was a member. Steiger placed two damning reports on Emprise in the Congressional Record in 1970 and 1972 (4). He also widely publicized the finding of an Arizona State Auditor General report charging Emprise with falsifying figures to get a tax-break bill through the State Legislature. By 1972, in conjunction with the Nixon Justice Department, he succeeded in getting grand jury charges and federal court convictions against Emprise and the six Detroit area mobsters already cited. On May 24, 1972, pressure on Emprise had reached such a public crescendo that even Sports Illustrated ran a lengthy expose titled "Jacobs — Godfather of Sports"; the magazine was promptly sued for \$20 million and settled out of court.

At that point, Democratic Party politicians and prominent figures in the Zionist Lobby went into action on Emprise's behalf. Not coincidentally, the same forces that came forward for Emprise were also preparing the Watergate scandal to bring down President Richard Nixon. (5)

Democratic members of the House Select Panel on Crime denounced the majority report prepared by Steiger exposing Emprise's ties to organized crime. As admitted by Max and Jeremy Jacobs in congressional testimony, Emprise hired New York public relations man Hal Antin to defeat Steiger in his 1976

re-election bid. A Phoenix underworld figure, George H. Johnson, was paid to wiretap and survey Steiger and manufacture scandals against him. Arnold Weiss, a Buffalo attorney on the Emprise payroll, was sent to meet with Steiger and deliver a series of ultimatums. Weiss reportedly threatened to ruin Steiger by planting rumors that his marriage had broken up after his wife caught him in illicit relations with their three-year-old daughter. Such rumors, in fact, did appear in various Arizona media. (6)

In 1972, Senator Robert Dole, a Kansas Republican, publicly protested the House Select Panel's decision to terminate the hearings on Emprise. Dole revealed that the decision had followed a private meeting between Jeremy Jacobs and Democratic National Committee Chairman Larry O'Brien. O'Brien subsequently left his Democratic Party post and assumed a lucrative job as president of the National Basketball Association—an organization with heavy representation by the Jacobs family.

As the Watergate campaign broke down Nixon's resistance and dismantled the core of his efforts to suppress organized crime, the attack against Emprise faded. By June 1976, Don Bolles was dead. On November 3, 1976, in an election heavily shaped by nationwide vote fraud (7), Rep. Steiger lost his bid for a sixth term in Congress. By this time a broken man fearing for his life, Steiger met with Jeremy Jacobs to "apologize" for his accusations against Emprise. At this time Emprise-Sportsystems had three pending civil suits against Steiger. In a last act of humiliation, Steiger wrote to Attorney General Edward Levi as a spokesman for Emprise on behalf of a presidential pardon for the 1972 federal racketeering conviction. Incoming Attorney General Griffin Bell turned down the request as "not deserving." (8)

## Jacobs and Royal Crown

The second generation of Jacobs brothers, Max, Jeremy, and Lawrence, underwent the same "washing" into respectable society as their old Prohibition business partners, the Bronfmans. Ironically, the Jacobs brothers used their longstand-

ing association with the Bronfmans, since married into the upper reaches of the European Hofjuden, to lend them an air of respectability somewhat above that of the outright thugs with whom they still do most of their business. For example, a third-generation Jacobs, Jeremy, took his "higher education" not at a university, but at the Toronto Jockey Club, after his 1960 high school graduation. The Bronfman-run Toronto Jockey Club, like its counterpart in Hong Kong, is not only one of Canada's best protected dirty money-gathering outfits, but a place where Hofjuden and gangsters can amiably mix in safety. Regular denizens of the Toronto Club include Viscount Hardinge and Canadian organized-crime figure Murray Koffler. Koffler's role as a retail outlet for Bronfman dope-running came into the public domain in 1976, when an associate's chain of retail drug stores was indicted for maintaining an amphetamine factory and a national army of pill-pushers. That distinction did not prevent Koffler from attending the wedding of Britain's Princess Anne, or from maintaining his close friendship with Anne's husband, Captain Mark Phillips. (9)

So far the Jacobs have been barred from marriage into the leading Hofjuden circles. However, the Jacobs have been awarded a respectable role in the train of the British monarchy, in a service capacity. The "crown jewel" of the Jacobs' operations is the British firm, Letheby and Christopher Ltd.—the caterers, by Her Majesty's appointment, to "all events with a royal presence." (10) Their concessions through Letheby and Christopher include the Tate Gallery, the Ascot Races, and other gathering places of the Royal Family and the British aristocracy. L & C, as it is affectionately known in Britain, was awarded the management of Ascot through the Bank of Norfolk, whose trustees include the Marquis of Abergavemy and Lord Tyron—the Keeper of the Queen's Privy Purse, third in aristocratic rank to the Keeper of the Queen's Horse, and the Keeper of the Queen's Bedchamber.

Apart from its royal honors, the Jacobs subsidiary manages 12 other racetracks in Great Britain including the national track at Liverpool, the site of the Grand National, and Wembley Stadium, Britain's equivalent of Madison Square Garden.

More than their retailing services for British dope-peddlers, however, accounts for the Jacobs family's honored position at the British court. They have conducted crucial—and dangerous—political errands for the British oligarchy over a period of years. One such mission involved the successful sabotage of Richard Nixon's 1972 plan for detente with the Soviet Union. Their instrument for the act of sabotage—the man whose presidential campaign they funded lavishly—was Senator Scoop Jackson.

"Scoopie," Max Jacobs once said, "is the best friend Israel has in the Congress." Max and brother Jeremy were funders of their torpedo's run for the White House. (11)

Jackson authored the "Jackson-Vanik" Amendment to destroy the effectiveness of Nixon's 1972 treaty for expanded trade and scientific cooperation, which rested, among other things, on American credits for Siberian development. Jackson's operation prevented the United States from extending any credits to the Soviet Union until the Soviets "liberalized" their Jewish emigration policy. (Under the Nixon Administration, such emigration had already increased fourfold.)

The Jacobs brothers had hamstrung a treaty the British Crown viewed as a mortal enemy, one the Rothschild-owned London Economist denounced as a "waltz of the elephants." Jackson has continued to work as a pawn of the Jacobs crime family, advocating, among other projects, a military alliance with and weapons sales to China, Britain's partner in world dope traffic.

In the Jacobs group, America has its homegrown version of the Green Gangs, the fifth column Britain used to destroy China.

## Working for the HongShang

From available evidence, the British oligarchy rates the Jacobs group's political usefulness as an intermediary for control over organized crime sufficiently important to make major efforts to rebuild the Jacobs' tarnished image. The prize that motivates Britain in this regard is the Buffalo-based Marine

Midland Bank, which the Hongkong and Shanghai Bank now wants to buy out.

From the American side the most important "inside agents" pushing the HongShang takeover are Leonard Rochwarger and Paul Schoelkopf, since 1973 the closest business associates of Max and Jermy Jacobs. (12) Rochwarger is president of Firstmark Corporation, a heavy equipment leasing company and the American leg of an international conglomerate controlled by Britain's most important Hofjuden, the Rothschilds and Sebag-Montefiores.

Rochwarger was brought into the deal at a Paris meeting in 1971 with Edmond de Rothschild and Robin Sebag-Montefiore, who represented, respectively, the Isrop S.A. of Luxembourg and the Gilsyd Corporation of Liechtenstein. Under an intricate merger arrangement, Rochwarger emerged from the meeting as president of a new international subsidiary of the Rothschild and Montefiore companies, Israel-American Leasing of Tel Aviv, now the largest firm of its type in Israel.

Rochwarger is an old associate of Max Jacobs; both sit on the board of the Joint Distribution Committee, the funding center for American Zionist organizations. In addition, Rochwarger is the director of the National Jewish Centers and Youth Programs both in the United States and Canada, a regional board member of the Anti-Defamation League of B'nai B'rith, and fundraising chairman of the United Jewish Appeal.

Paul Schoelkopf, another Buffalo-based Zionist, is leading the local campaign in support of HongShang's bid for Marine Midland. Schoelkopf is chairman of Buffalo's Niagara Share Corporation, an investment company that pools the resources of wealthy local investors for large investments. Among Niagara's holdings is 246,000 shares in HongShang stock. Its other holdings include investments in the Swire family's Pacific A Corporation, and 400,000 shares in two Hong Kong holding companies, Cheung Kong Holdings Ltd., and the trading company Hutchinson Whampoa, also linked to HongShang.

Another Schoelkopf investment vehicle is the \$250 million per year food wholesaling-retailing group, Niagara Frontier Services, whose chairman is Armand Castellani, a member of Marine Midland's board of directors. A merger is currently in

process between Niagara Frontier Services and Sportsystems, which would double the stated "legitimate" revenue base of the Jacobs family empire.

If HongShang receives the Marine Midland Bank from the hands of Max Jacobs, the link between the retail cash laundering facilities of the American mob and the wholesale financing of the international dope traffic will be complete. As noted in Part II, Section 1, it will also complete the British oligarchy's takeover of the last remaining offshore center not wholly in its possession, Panama.

## Jacobs joins Intertel

In the aftermath of Congressman Steiger's investigation, Sportsystems underwent a corporate personnel reorganization. The result was that Sportsystems established an interface with the center of the crime syndicates and the reincarnated Assassination Bureau—Resorts International and its subsidiary, Intertel.

The entire executive team and legal staff brought into Sportsystems in 1975 was made up exclusively of veterans of the Kennedy Justice Department—the same Kennedy Justice Department that sent the man who is now president of Intertel, Robert Peloquin, to Buffalo, to "investigate" the Emprise crime syndicate!

In early 1975, Donald Carmichael, a Kennedy Democrat who had served as a delegate both at the 1964 and 1968 Democratic conventions, as well as on the President's War on Poverty panel, became the president of Sportsystems. Carmichael ushered in a dozen Kennedy Justice Department hands over the next two years.

In 1976, Max and Jeremy Jacobs' close friend and "business associate" Max Fisher released the general counsel of his own corporation, United Brands (formerly United Fruit), so that he could accept Jacobs' offer of the post of general counsel to Sportsystems. Before his employment at United Brands, Stanley Mills had been a Justice Department aide to Attorney General Robert Kennedy. (13)

In 1977, when the Bolles murder temporarily threatened to

bring Emprise-Sportsystems under criminal investigation, Horace S. Webb joined the firm as public relations director. Webb, who assisted the Watergating of Richard Nixon on behalf of the Kennedy machine, had previously been Deputy Public Information Director for the Justice Department and later press secretary for Attorney General Elliot Richardson.

By the time the facelift of Sportsystems was finished, four other Kennedy Administration officials—each a member of Robert Kennedy's "secret team"—were brought into the firm's legal division.

Half the Kennedy "old boys" had moved into Resorts International and Intertel; the other half went over to the Jacobs group, for the same type of assignment.

Heading the "Intertel Team" at Sportsystems is Henry Peterson, the former chief of the Organized Crime and Racketeering Division of the Kennedy Justice Department. At Camelot, Peterson was the superior of Robert Peloquin, now president of Intertel.

Peterson's entire staff from the old Robert Kennedy days came with him. At Sportsystems, his chief aides are William Bittman, Daniel Hollman, and Thomas Kennedy. Kennedy worked for Peterson in the Organized Crime Division of the Department of Justice. Their big assignment in the old days came when Peterson sent them to New York State—to investigate the mob connections of Emprise!

## "Bagman" Max Fisher

Max Fisher, today the chairman of United Brands, is the acknowledged "kingmaker" in the Michigan Republican Party, and a political power nationally. As president of the United Jewish Appeal, president of the Jewish Welfare Fund, and honorary chairman of the American Jewish Committee, Fisher holds rank next to his close friends Max and Jeremy Jacobs and the Bronfman brothers as one of the leading lights of the Zionist Lobby in North America. Fisher is also Henry Kissinger's contact man in the Michigan-Ohio area, and until recently was national fundraising chairman for the Republican Party.



Those are impressive credentials for a man who got his start as "bagman" for Prohibition's "Purple Gang." Max's job was to run advance payments for Bronfman liquor across the Canadian border and secure advance deliveries of Bronfman "rotgut" to the speakeasies that dotted Michigan's auto towns. Today, Max's headquarters, the Fisher Building, is owned by the Bronfmans.

Today Midwest law enforcement officials name Max Fisher as the prime candidate for arrest and conviction as the kingpin of the vast narcotics trade in the Midwest—including the tons of drugs that pour into the auto belt. Yet no indictments have been forthcoming. Freuhauf Trucking Company, based in both Canada and the United States, provides one channel for large-scale drug smuggling, these officials report. Max Fisher is a Freuhauf board member and large shareholder. Knowledge of Fisher's drug connection even includes the various parking lot "truck stops" — adjacent to Fisher's Detroit suburban headquarters — that are believed to serve as transshipment points for heroin, cocaine, and marijuana. Fisher's privately owned Marathon Oil Company, barging crude oil into the Midwest from ports of call in South America, is also suspected of joining Fisher's United Brands in running the "Silver Triangle" drug traffic.

Since its founding by the New Orleans Macheca mob and Montefiore-sponsored Jewish immigrant Zemurray, United Fruit-United Brands has dominated both licit and illicit trade in the Central and Latin American countries that produce cocaine and marijuana for the American market. In those same countries, the Israeli financial and intelligence networks identified earlier with the narcotics traffic have become the principal supplier of weapons. In Central America and in Chile, Israel has replaced the U.S. as the leading arms merchant for United Brands' "banana republic" governments. (14)

That none of the evidence has brought action against Fisher raises some interesting questions about who controls Michigan politics. Fisher, as noted, is not only the powerbroker for the Republican Party, but along with the Socialist International affiliate, the United Auto Workers (UAW), is on top of the ghetto and in-plant crime machine and Maoist-environmentalist gangs that push drugs and terrorism. This was the conclusion drawn

from an investigation involving federal law enforcement officials after a July 1978 attempted assassination of U.S. Labor Party Chairman Lyndon LaRouche in Detroit.

The "political cover" under which drugs and terror find their way into the floors of the auto plants is the Communist Labor Party of Michigan. This avowedly Maoist grouplet is an outgrowth of the nest of agents provocateurs who incited the late 1960s riots that left large sections of Detroit's working class districts in ruins. After the riots, Max Fisher and then-UAW President Leonard Woodcock (now U.S. Emissary to the People's Republic of China) stepped in to found the New Detroit Corporation as the "reforming" de facto ruling body over the region. New Detroit outflanked the constituency political machine in the city administration and police department, removing the chief impediment to the "liberal" proliferation of drugs, vote fraud, and fingertip-controlled political violence. The Communist Labor Party of Michigan provides the footsoldiers for all three.

According to records on file with Detroit City Clerk, the Communist Labor Party is financed by Max Fisher's Zionist Lobby. Among the campaign contributors to its 1976 and 1978 "electoral campaigns" are Avern Cohen, Fisher's personal attorney and his political lieutenant, and Richard Lobenthal, the head of the Michigan Anti-Defamation League of B'nai B'rith. The Communist Labor Party also gets money from a group called the Anti-Nazi Coalition, in which it joins the B'nai B'rith, and a Zionist umbrella group called the Jewish Community Council. The latter is financed by numerous Zionist philanthropies including the Jewish Welfare Fund, and by thousands of dollars in UAW membership dues. (15) The Anti-Nazi Coalition services a string of storefronts, bookstores, and other commercial enterprises that dish out dope to the auto plants and ghettos.

## Dope, Inc. goes "legit"

The Jacobs family, Max Fisher, the Bronfman brothers: these figures stand behind organized crime, the drug traffic, and the systematic corruption of the political process in nearly every

precinct of the United States. A precise estimate cannot be given of the percentage of the \$200 billion of narcotics revenues diverted into political corruption and disruption. But the nearly \$1 billion the Jacobs family put up to oust Congressman Sam Steiger, the Bronfmans' multimillion dollar expenditure for political and economic warfare against the U.S. Labor Party, and the \$1 million "war chest" that Resorts International assembled to put across legalized casino gambling in New Jersey by legislative fiat, provide sufficient warning that the sums spent on illegitimate political activities exceed those spent under the Federal Election Law.

Corruption of politicians is more flagrant, more public, than streetcorner soliciting by prostitutes. Take the case of St. Louis Representative William Clay, now treasurer of the Black Caucus in Congress. Clay was selected for his job by Morris Shenker, the owner of the Dunes and Sands casinos in Las Vegas and the attorney for Anthony Giordano in the 1972 federal case against Emprise. (16) Clay's Black Caucus colleague Parren Mitchell of Baltimore, who has emerged as a leading spokesman for drug decriminalization, is another.

The roster of Britain's Green Gang thugs in the United States, stretching down to every populated center, is too extensive to bear further detail. The Jacobs, Bronfmans, Fishers have the same *modus operandi*: understand it, and nothing about organized crime elsewhere will be difficult to understand. Once this operation is cracked, drug traffic and corruption in cities across the country can be broken, assembly-line fashion.

Britain's agents of corruption are now beginning the final phase of opium warfare against the United States, as the dope-runners and money-launderers press for legalization of gambling and drug addiction. Under the transparent lie that legalization means the destruction of organized crime—rather than its enthronement in the state capital—gambling has opened up in New Jersey, under the aegis of Meyer Lansky's Resorts International and Intertel. Dope, Incorporated is preparing, in effect, to take its "rightful place" at the top of the Fortune 500. The American Green Gangs are preparing the final "Shanghai Massacre" of the American people.

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## The Philadelphia Story

A long trail of indictments, fines and press stories leads to one of the most dramatic case histories of Dope, Incorporated, and to Philadelphia, the City of Brotherly Love. Under the direction of old Philadelphia Quaker families, whose roots in the opium traffic go back to the first years after the American Revolution, and with the cooperation of one of Britain's oldest opium-running families, the Philadelphia dope network can be charted from the wholesale production of illicit drugs down to the gutter.

Tucked away in the towering Sun Oil building in downtown Philadelphia are the small corporate headquarters of an obscure firm known as Paco Pharmaceuticals. Paco has only one line of business: it packages roughly two-thirds of the amphetamine tablets sold in the United States, under contract from the old Quaker pharmaceuticals companies in the Philadelphia area, including Smith, Kline and French, Rohm and Haas, and Pennwalt. It publishes no annual report or other information concerning its activities, except for one crucial fact: it is owned by Charterhouse Japhet, the present incarnation of the old Japhet family opium interests. Paco is also the source of most of

the "leakage" of amphetamines into illicit channels in the United States. (1)

Federal agencies have tried to crack down on the Paco nexus for years, but have succeeded only in wrist-slapping its local collaborators. The record of citations of the amphetamine producers is lengthy. It includes:

\*A \$200,000 fine imposed in October 1977 by the Drug Enforcement Administration on Pennwalt Pharmaceuticals, after Pennwalt was convicted of 17 counts of questionable practices in the production of medicines containing cocaine.

\*A 1972 accusation against Pennwalt by the predecessor organization of the Drug Enforcement Administration, the Bureau of Narcotics and Dangerous Drugs, involving Pennwalt's use of Mexican subsidiaries to provide illicit channels of drug traffic in the United States with amphetamines. The BNDD discovered major accounting discrepancies between the amounts of amphetamine Pennwalt claimed it shipped to Mexico and the amount of amphetamine that actually arrived in Mexico.

\*A recent order by the Food and Drug Administration compelling Pennwalt to close a warehouse housing opium, ostensibly for manufacture into licit morphine under federal license, due to "leakage" of the opium.

\*In November 1976, CBS's "Sixty Minutes" news feature program accused Pennwalt of marketing amphetamine-based diet pills, with the deliberate objective of creating a "hooked" market of dependent amphetamine users. Commentator Mike Wallace cited a 1970 Pennwalt internal memorandum to substantiate this allegation.

The hard evidence of illegal drug trafficking by the old-line drug firms in amphetamines, and strong suspicion of similar trafficking in cocaine and opium, is the starting point for a chain of control that ends with the retail drug trade, terrorism, and crime on the streets of Philadelphia, leading through individuals in high positions in the city's top banks and "charitable" foundations. A November 13, 1978, expose of the Philadelphia Foundation in the Philadelphia Daily News brought to public light the incriminating information that had, independently, been gathered by a U.S. Labor Party investigative team.

One James Boudine, a director of Pennwalt Pharmaceuticals, is the leading connection between the wholesale and street-level sides of Philadelphia's narcotics traffic. Until 1977 he was president of the First Pennsylvania Bank, in charge, among other things, of its support of the Philadelphia Foundation. Despite his departure from the president's suite, he remains on the board of directors and continues to direct the bank's "charitable" activities.

What First Pennsylvania's and other Philadelphia banks' funds went for became clear in the summer of 1978, when a member of a local leftist cult, known as "MOVE," killed a Philadelphia policeman with an automatic rifle. Heavily oriented towards drugs and terrorism, MOVE is part of a family of similar groups that functions under the umbrella of the drug-oriented Movement for a New Society, one of the ugliest concoctions ever to appear on the streets of the United States. The Movement for a New Society and its more explicitly violence-prone outlets, such as MOVE, receive most of their funding from the Philadelphia Foundation and two associated funding conduits for the Quaker pharmaceuticals firm and the related Philadelphia banks. (3) The other conduits are the William Penn Foundation, controlled by the five members of the Haas pharmaceuticals family who sit on the foundation's board, and by the Philadelphia Yearly Meeting of the Religious Society of Friends (Quakers).

The Yearly Meeting is no more a religious Quaker institution than Seagram Liquors or Emprise are religious Jewish institutions, but serves as a front for leading British-allied banking and chemical companies of Quaker origin. The funds of the Yearly Meeting are controlled by Robert Boudine—of the same Boudine family—in two secret accounts held at James Boudine's First Pennsylvania Bank, and shunted to undisclosed activities. Among known contributions is a \$2,000 donation to the MOVE group, before the murder of the Philadelphia policeman attracted public attention. That contribution was only discovered after Philadelphia police moved in to clean out MOVE's headquarters, and discovered a receipt for \$2,000 from the Yearly Meeting of the Friends in MOVE's quarters.

The Movement for a New Society is the biggest law

enforcement problem in the city of Philadelphia. Not only has it produced killers like those from MOVE, but its combination of pro-drug, pro-homosexuality, pro-pederasty, pro-environmentalist ideology provides an environment that breeds terrorists. According to its own publications, the Movement for a New Society provided the cadre who led the "Clamshell Alliance" demonstration at New Hampshire's Seabrook nuclear reactor site in 1977. New Hampshire police conducted mass arrests of the demonstrators after receiving information that the demonstrators planned terrorist action.

This antisocial organization receives its funds from the pharmaceutical firms and their bankers, through the Philadelphia Foundation, the William Penn Foundation, and the Yearly Meeting's \$25 million secret slush fund. The William Penn Foundation funds the Movement to the tune of \$40,000 a year. The foundation was established by Rohm and Haas. The Philadelphia Foundation provided the Movement's funding conduit, Neighborhood Resources West, with \$6,472 in recorded funds in 1977. That foundation was founded under the auspices of officials of the Fidelity Bank of Philadelphia Banking Corporation. On the Fidelity Bank's board is John C. Haas of Rohm and Haas; its chairman is Howard C. Petersen, who also sits on the board of Rohm and Haas.

How little the operations of the Philadelphia Society of Friends resemble the religious principles of Quakerism is evident from one fact: their Philadelphia offices house the headquarters of 1) the Venceremos Brigade, the mother organization for the terrorist Weathermen; 2) the Susan Saxe Defense Committee, which conducted legal efforts on behalf of Weatherwoman bank robber Susan Saxe; and 3) the Puerto Rican Socialist Party, which officially supports the terror-bombings of the so-called FALN. The "Religious Society of Friends" designation is a misnomer. The Philadelphia Quakers operate through the American Friends Service Committee, an organization that religious Quakers have despised since its founding.

The American Friends Service Committee's spawn, the Movement for a New Society, funded through Quaker accounts, is explicitly pro-violence. One of its publications, a 1976 pamphlet

entitled "Moving Towards a New Society," says: "There are a number, perhaps a growing number, of completely sincere humanist revolutionaries who believe that violence is necessary, although regrettable, and that only through armed struggle can the powerful American Empire be toppled...it is important that we express solidarity with all who share our goals," e.g. Susan Saxe and the Venceremos Brigade.

The Quaker-funded Movement for a New Society also published a series of frankly pornographic manuals for their "revolutionaries," including such titles as "Gay Oppression and Liberation," "Liberating Sexuality," and "Take Heart—All Those in the Struggle." These publications advocate pederasty, "multiple sexual relationships," and public masturbation. One of these publications, "Gay Oppression and Liberation," reports that "non-gays in the Movement for a New Society have made great strides recently in reducing their complicity with heterosexism." This is not only a breeding ground for the dope traffic and terrorism, but an expression of the cult existence prescribed by the original masters of the narcotics traffic (see Part IV). And it is the bottom line for the William Penn and Philadelphia Foundations.

Charterhouse Japhet's presence in the middle of this mid-Atlantic zoo is the link back to the highest levels of Dope, Incorporated, the queer alliance of Friends-who-are-not-Friends and Jews-who-are-not-Jews. The leading Quaker banking families in Philadelphia allied themselves with the Baring bank and the dope traffic in the first years of the American Republic. The top British banks include old Quaker families, who have been represented in the United States for two centuries. Britain's largest bank, Barclays, founded in its present form in 1835, has been in Quaker hands for 200 years. Its representative David Barclay lived in Philadelphia during the 18th century, at the same time that the Baring Bank set up shop there. Barclays' board, as noted earlier, includes five members of the Most Venerable Order of St. John of Jerusalem, the chivalric dirty tricks arm of the British and related monarchies.

Charterhouse Japhet today is controlled by Barclays Bank, through an intermediary. Barclays controls Slough Properties,



which functions as the de facto parent organization of Charterhouse Japhet. Through its hold on the Japhet family interests, Barclays controls Israeli finance, by way of Ernst Israel Japhet, the chairman of Israel's largest finance house, Bank Leumi. Bank Leumi has just applied to the American regulatory authorities for permission to open a branch office in Philadelphia.

Consequently, the joint appearance of "Quaker" and "Jewish" financiers at the center of the Philadelphia Story is no accident. Neither of them have anything more to do with the two religions than does the Movement for a New Society's perverted gibberish. Under the control of the British oligarchy and the Order of St. John, they are the instruments of a British subversion plan in Philadelphia that, in the words of the Movement for a New Society's badly printed tract, wants to "topple the American Empire."

# Notes

## 1. THE BRONFMAN GANG

1. Canadian Jewish Congress Report, 1967-68, in commemoration of Samuel Bronfman.
2. Ibid.
3. Peter C. Newman, *Bronfman Dynasty, The Rothschilds of the New World* (Toronto: McClelland and Stewart Ltd., 1978), pp. 66-73.
4. Newman, *Bronfman Dynasty*, p. 64.
5. Hank Messick, *Lansky* (New York: Berkley Medallion Books, 1971), pp. 230-31.
6. James H. Gray, *Booze* (Toronto: Macmillan Co. of Canada, Alger Press, 1972).
7. Newman, *Bronfman Dynasty*, p. 127.
8. Russell Sage Foundation, 1907-1946 (New York: Russell Sage Foundation, 1947), Volume 1.. Loanshark operation surveys were also conducted in Illinois and Kentucky.
9. Hank Messick, *Secret File* (New York: G.P. Putnam's Sons, 1969), pp. 277-78.
10. Torrio's rise to power has been chronicled in hundreds of books and press accounts dealing with the history of organized crime and with the "Capone" Chicago organization in particular. See Don Maclean, *Pictorial History of the Mafia* (New York: Pyramid Books, 1974); Ralph Salerno and John S. Tompkins, *The Crime Confederation* (New York: Doubleday & Company, Inc., 1969); Martin A. Gosch and Richard Hammer, *The Last Testament of Lucky Luciano* (New York: Dell Publishing Co., Inc., 1974). Additional insight was provided through numerous interviews with law enforcement officials at the U.S. Customs Bureau and Drug Enforcement Administration.
11. Maclean, *Pictorial History of the Mafia*, p. 150; see also Donald R. Cressey, *Theft of the Nation: The Structure and Operations of Organized Crime in America* (New York: Harper and Row, 1969), pp. 29-53.
12. Maclean, *Pictorial History of the Mafia*, p. 461. Figures vary for the death toll reached during the war period; however, on the night that New York boss Salvatore Maranzano — September 11, 1931 — was assassinated and the immediate 48-hour period following, it is estimated that 40 gang leaders were killed in the overall purge. See also: Donald R. Cressey, *Theft of the Nation*, pp. 29-53. and Peter Maas, *The Valachi Papers* (New York: Bantam Books, 1968).
13. Messick, *Secret File*, pp. 96-97. Corroboration of the analysis presented here was provided through numerous and exhaustive

interviews with law enforcement officials at the DEA and U.S. Customs Bureau.

14. Messick, Lansky, pp. 90, 97-98. Additional corroboration was provided by DEA officials in interviews in December 1977.

15. Report from Narcotics Division Agent Ralph Oyler to Narcotics Division Chief Levi Nutt, March 30, 1926 (DEA Library, Washington, D.C.).

16. Jonathan Marshall, "Opium and Politics of Gangsterism in Nationalist China—1927-45," *Bulletin of Concerned Asian Scholars* 3 (1976): 19-48.

17. *Ibid.*

18. Henry Aubin, *Who Owns Montreal*.

19. *Ibid.*

20. Newman, *Bronfman Dynasty*, pp. 55-61.

21. Starkman stores' connections to Koffler were widely publicized at the time in the *Toronto Globe and Mail*.

22. See also Newman, *Bronfman Dynasty*, pp. 167-169.

23. *The Washington Post*, November 6, 1978, p. 2.

24. Newman, *Bronfman Dynasty*, p. 233.

25. *Ibid.*, p. 231.

26. *Ibid.*, p. 225.

27. *Ibid.*, p. 232.

28. *Ibid.*, p. 227.

29. *Ibid.*, p. 227.

## 2. THE KENNEDYS: ORGANIZED CRIME IN GOVERNMENT

1. Financial Campaign Report filed by the Kennedy for Re-Election Committee, 1976, with the Clerk of the Senate.

2. Pictorial History of Mafia; see also Clark R. Mollenhoff, *Strike Force: Organized Crime and the Government* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1972).

3. Senate Committee Hearings on Organized Crime and Narcotics, 1963.

4. Financial Campaign Report filed by the Kennedy for Re-Election Committee, 1976.

5. David E. Koskoff, *Joseph P. Kennedy: A Life and Times* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974), p. 9. Additional insight and information on Kennedy was provided through interviews with law enforcement officials.

6. Koskoff, *Joseph P. Kennedy*, p. 19.

7. *Ibid.*, pp. 28, 30.

8. *Ibid.*, p. 28; see also William Stevenson, *A Man Called Intrepid* (New York: Ballantine Books, 1976), p. 325.

9. Interview with DEA officials, December 1977; see also Messick, *Secret File*, p. 197 and Koskoff, *Joseph P. Kennedy*, p. 53.

10. Koskoff, Joseph P. Kennedy, p. 53.
11. Ibid., p. 115.
12. Ibid., pp. 166,394-95.
13. Ibid., p. 378.
14. Sir John Wheeler-Bennett, *Special Relationships: America in Peace and War* (New York: St. Martin, 1976), pp. 34-35; see also Koskoff, Joseph P. Kennedy, pp. 403-4.
15. Wheeler-Bennett, *Special Relationships*, pp. 34-35.
16. Victor Navasky, *Kennedy Justice* (New York: Atheneum, 1970), p. 404.
17. Ibid.
18. Messick, Lansky, pp. 241-42. This viewpoint was also shared by numerous law enforcement officials who were interviewed in the course of researching the history of organized crime.
19. *Who's Who in Canada*.
20. Harold Macmillan, *At the End of the Day 1961-63* (London: MacMillan London, Ltd., 1973), 6:359-60. According to Macmillan: "The President did not want to give us Polaris on political grounds, for fear of upsetting all the European nations. . . . The arrangement finally agreed was that we should be supplied with the Polaris missile. . . . Our nuclear fleet was to be 'assigned' to NATO, except in cases 'where Her Majesty's government may decide that superior national interests are at stake.' . . . Three days' hard negotiating — nearly four days in reality. The Americans pushed us very hard. . . the discussions were protracted and fiercely contested. . . ."
21. Ibid.
22. Koskoff, Joseph P. Kennedy, p. 439.

### 3. BRITAIN'S ASSASSINATION BUREAU: PERMINDEX

1. The former Shaw associate was Gordon Novel. Novel, an associate of Clay Shaw and Carlos Marcello, was himself under investigation by Jim Garrison for possible involvement in the Kennedy assassination conspiracy. An expert in electronic devices (including highly sophisticated surveillance equipment), Novel was employed by the Marcello-Permindex group in New Orleans and apparently also by the CIA through its Miami-based Double-Chek commercial front. Novel was interviewed by the authors on several occasions during spring-summer 1977. In October or November 1977, Novel was arrested in an Atlanta, Ga. suburb on charges of violation of bail conditions. The conditions were set by a New Orleans Parish Judge after a 1976 arrest on charges of conspiring to burn down a commercial building in that city. Novel is presently in New Orleans Parish jail awaiting trial on the bomb-arson plot charges.
2. A series of articles appearing in *Paesa Sera* on March 4, 12, 14, 1967; see also *Les Echos* and *Le Figaro* during spring 1962 for numerous news

and editorial references to Permindex's role in the assassination attempts against President de Gaulle. .

3. Anonymous, *The Permindex Papers*, 1970, p. 58. This unpublished manuscript was reviewed by the authors on condition that the title of the document and the biographical material provided on its author would be kept confidential. *The Permindex Papers* is not the actual title of the manuscript. The author or authors used documents prepared by the Justice Department and Treasury Department of the United States government. Additionally, they cited public sources including magazine articles, newspaper articles, and books. In cases where the original sources were cross-checked, the original sources will be cited directly.

4. *Ibid.*, pp. 141-49.

5. Louis Wiznitzer, "Will Garrison's Inquiry into Kennedy Assassination Lead to Montreal?" *Le Devoir*, March 16, 1967, Montreal; also *Canadian Dimension*, September-October, 1967 (reprint).

6. Giuseppe Pantaleone, "An Interview," *Panorama*, April, 1970.

7. Anon., *Permindex Papers*, p. 164.

8. From an unpublished interview with an anonymous Rome-based foreign correspondent conducted in Rome, August 15-16, 1978.

9. Wiznitzer, "Will Garrison's Inquiry."

10. *Ibid.*

11. *Ibid.*

12. In Italy, for example, the head of the Order of St. John Ambulance Squad was directly implicated in the assassination of former Italian President Aldo Moro. Baron Johann von Schwartzberg was under intensive investigation by Italian authorities as the suspected mastermind of the Moro murder. Schwartzberg was exempt from any prosecution, search, or interrogation due to his diplomatic status as an emissary of the Sovereign Order of St. John, Order of Malta, which is recognized by many governments, including the Italian government, as a sovereign state. Schwartzberg died within a month of Moro's death in an automobile accident.

13. Anon., *Permindex Papers*, p. 231.

14. *Ibid.*, pp. 231-32.

15. *Ibid.*, p. 161.

16. Allan J. Webberman, *Coup d'Etat in America* (New York: Joseph Okpaku, 1975) pp. 39-40.

17. Anon., *Permindex Papers*, p. 73. The name of the courier was Maurice Gatlin. According to testimony delivered by Jerry Milton Brooks before the New Orleans Grand Jury investigating the assassination of Kennedy, Gatlin was a "transporter" for both the CIA and Division Five of the FBI.

18. Virtually all the book-length material on Sir William Stephenson and the British Security Coordination-Special Operations Executive is "official cover story" commissioned by the SOE to provide limited exposure to aspects of its operations while withholding the most illegal

and anti-American activities. Two books that fit this "official cover story" description, but which provide numerous references to Stephenson's methods of operation, including his penetration into every level of the U.S. military command with his SOE agents, are: H. Montgomery Hyde, *Room 3603* (New York: Ballantine Books, 1962) and William Stevenson, *A Man Called Intrepid* (New York: Ballantine Books, 1976).

19. Richard Deacon, *A History of the British Secret Service* (New York: Taplinger Publishing Company, 1970), p. 296.

20. Anon., *Perm index Papers*, p. 265.

21. *Ibid.*, p. 196.

22. Rodney Campbell, *The Luciano Project* (New York: McGraw-Hill Book Company, 1977); see also Julian Semyonov, "Capriccio Siciliano," *Ogonyok* (Moscow), October-November, 1978.

23. Julian Semyonov, "Capriccio Siciliano," reprinted in English translation from *Ogonyok* in *Executive Intelligence Review* 43 (1978): 38.

24. As reported in the *Permindex Papers*, pp. 46-51, *Permindex* included among its investors: Morris Dalitz, the organized crime czar of Cleveland and Las Vegas and a personal associate of Lansky dating back to Prohibition; Joseph Bonanno, the New York City and Phoenix mobster who took control over the New York City-based Lionel Corporation and used it as a business front for a variety of criminal activities that included investment in *Permindex*; Carlos Prio Socarras, the President of Cuba from 1948-52 who subsequently became the chief of Meyer Lansky's gambling racket in Havana until the Castro takeover.

25. Messick, *Lansky*, p. 241.

26. *Canadian Who's Who* (Toronto: TransCanada Press) Vols. 7, 8, 9, 10; and (Toronto: *Who's Who Canada Publishers*) Vols. 11, 12, 13.

27. The most comprehensive documentation of the bankrupting of BCI is contained in an unpublished report by Richard Freeman, "The Case of Investors Overseas Services: Dirty Money International," August 12, 1978; see also Robert Hutchinson, *Vesco* (New York: Praeger Publishers, 1974).

28. Messick, *Lansky*, p. 248.

29. Anon., *Permindex Papers*, p. 105; and Messick, *Lansky*, p. 248.

30. George Nichols, "Exclusive: The Mossad — Who Is Behind This Secret, Global Gang of Political Terrorists Who Intimidate Presidents?" *The Spotlight* 39 (1978): 13-16.

31. The Economics Department of the University of Vienna, known as the Vienna School, was founded as a joint project of the British Fabian Society, the Rothschilds, and the Austrian royal Hapsburg family. In 1868, the British Foreign Office established the Royal Colonial Institute at the initiative of the Sassoon family, among others. Its principal sources of funding were the Hongkong and Shanghai Corp. and Barclays Bank. The head of the institute, Alfred Marshall, was also the chief economist for Cecil Rhodes. According to the *Official History of the Fabian Society*,

from 1884-92, Marshall, in collaboration with Fabian Executive members Beatrice and Sidney Webb, founded three institutes of economics. These three institutions to this day produce the membership for the Order of St. John's Mont Pelerin Society.

The Vienna School was established in 1884 on the strength of London School of Economics publications building the credibility of Karl von Menger, head of the University of Vienna Economics Department and the personal economic advisor to the Hapsburg court. Menger, an impoverished nobleman working as a journalist, had been turned into the personal economic tutor of Hapsburg Crown Prince Rudolph in 1876 by Baron Albert Rothschild, head of the family's Vienna House. Each of Menger's disciples was a Rothschild recruit from the Hapsburg nobility: Eugen Bohm von Bawerk was a member of the House of Lords and three times Austrian finance minister from 1896-1904; Friedrich von Weiser, also a Lord, was the Minister of Commerce.

In addition to Tibor Rosenbaum, some of the leading products of the Vienna School are Friedrich von Hayek, Herbert von Mises, and Nikolai Bukharin.

32. Who's Who in Great Britain; see also 1977 Annual Report of the Bank Leumi.

33. The U.S. government has recently gone on record as believing that David Graiver is indeed still alive. Graiver achieved notoriety when his American Bank and Trust Company in New York City went bankrupt in 1976, amid charges that Graiver had siphoned off some \$50 million from the bank and then disappeared. A federal indictment was sought and gotten. When Graiver was reported to have been killed in a plane crash, those charges were dropped. In June 1978, the U.S. Attorney for the South District of New York petitioned for the charges to be reinstated. The petition was granted the same month. See *The New York Times* and the *Wall Street Journal* of June 3-30, 1978.

Rosenbaum was a board member of the American Bank and Trust, which acted as the conduit for various illegal payments — including the \$5 million in bribes that Graiver paid to Argentine officials during 1975 to "persuade" them to purchase Canada's Candu nuclear reactor system rather than the originally preferred Westinghouse nuclear reactor. Graiver received these funds from the Canadian government's official broker in that matter, Israeli broker and foreign intelligence operative Shaul Eisenberg.

Graiver, Eisenberg, Rosenbaum, American Bank and Trust chairman Abe Feinberg, were all proteges of Nahum Goldmann, the man who brought most of them out of Europe through his 1938 deal with Heinrich Himmler to select out Jews from Nazi Germany and occupied Austria. Goldmann, the long-time head of the World Jewish Congress, was recently replaced by Chicago-based partner of Salomon Brothers, Phillip Klutznik; he is the man who sold the American Bank Trust to Graiver — he ran it on behalf of the Israeli government — in 1975.

34. Who's Who in Canada; see also Wiznitzer, "Will Garrison's Inquiry."

35. Col. Sir Edwin King and Sir Harry Luke, *The Knights of St. John in the British Realm — Being the Official History of the Most Venerable Order of the Hospital of St. John of Jerusalem* (London: Hills & Lacy, 1924).
36. See New York Times Index citation on "Banque de Credit Internationale" and "Tibor Rosenbaum," particularly covering the period of September through December, 1974, for numerous references to the exposure of Bank Hapoalim and related institutions' involvement in money laundering; see also Katherine Burdman, "The British Crown's Secret Financial Capability: Israeli Banking," *Executive Intelligence Review* 44 (IMS).
37. Criton Zoakos, et al., "The Black International Terrorist Assassination Plot to Kill Lyndon H. LaRouche, Jr.," *Campaigner Special Report* (New York: Campaigner Publications, 1977), p. 29.
38. Anon., *Perminde Index Papers*, p. 87.
39. Ladislav Farago, *Aftermath: Martin Bormann and the Fourth Reich* (New York: Simon & Schuster, 1974); see also William Stevenson, *The Bormann Brotherhood* (New York: Bantam Books, Inc., 1973).
40. Two Rome interviews conducted from August 10-16, 1978, with prominent Italian journalists and one Austrian journalist who request to remain anonymous. The interviews were conducted by members of the Rome staff of the New Solidarity Press Service at the request of the authors.
41. Max Gallo, *Mussolini's Italy: Twenty Years of the Fascist Era* (New York: Macmillan Company, 1973).
42. Anon., *Perminde Index Papers*, p. 97.
43. *Ibid.*, p. 178.
44. *Ibid.*, p. 213.
45. *Ibid.*, p. 212.
46. Edward J. Epstein, *Agency of Fear — Opiates and Political Power in America* (New York: G.P. Putnam's Sons, 1977).

#### 4. PERMINDEX UNVEILED: RESORTS INTERNATIONAL

1. Hutchinson, Vesco.
2. Messick, Lansky, pp. 221-51. Lansky had had his eye on the Bahamas since the 1940s, but his attention was then fixed on his Cuban and Las Vegas casino empires. (Castro's refusal to play ball with the Hofjuden mob allegedly inspired Lansky to issue a \$1 million "contract" on Castro's life.) With the 1959 fall of the Batista government the Bahama option became an imperative. Thus, it was no accident that the British gave the go-ahead for legalized gambling not only for their Caribbean holdings but in Britain as well. Messick reports (p. 228): "All that was needed in 1960 was to find a semirespectable front from which he (Lansky — ed.) could operate."
3. *Ibid.*, p. 228.



4. Ibid., p. 229.
5. Ibid., pp. 230-32; see also Jim Hougan, "A Surfeit of Spies," *Harpers*, December 1974, p. 58; Frank J. Priol, "Concern Fights Crime in Business," *New York Times*, July 26, 1970, Business Section, p. 1, p. 11.
6. Messick, Lansky, pp. 230-231, 235.
7. Ibid., pp. 232-233.
8. Ibid., p. 232; see also Hougan, "Surfeit of Spies," pp. 58, 63.
9. Hougan, "Surfeit of Spies," pp. 58, 63.
10. Hutchinson, Vesco; see also James Hougan, *Spooks: The Haunting of America — The Private Use of Secret Agents* (New York: William Morrow and Co., 1978), pp. 390-392.
11. Hougan, "Surfeit of Spies," p. 54.
12. Ibid., pp. 66-67; see also Hutchinson, Vesco.
13. Hougan, "Surfeit of Spies," pp. 54, 56; see also Priol, "Concern Fights Crime," p. 11.
14. Hougan, "Surfeit of Spies," p. 66: Hougan's information is corroborated by the authors' interviews with law enforcement officials.

## 5. THE JACOBS FAMILY'S EMPRISE: SPORTS AND CRIME

1. Testimony of labor racketeer, James Plumeri (Jimmy Doyle) before the McClellan Subcommittee on Criminal Laws and Procedures; see also Congressman Sam Steiger's insertion into the Congressional Record of the 91st Congress, "Emprise: A Lesson in Corporate Calumny."
2. Testimony of Plumeri before the McClellan Subcommittee on Criminal Laws and Procedures.
3. From their positions in Cleveland and Buffalo, the Jacobs family was a Bronfman link into the United States in alliance with the Reinfeld Syndicate and the Big Seven Combine (see Section 1).
4. "Emprise: A Lesson in Corporate Calumny," 91st Congressional Record, p. 5888; "Emprise: A Little More of the Iceberg Exposed," 91st Congressional Record, p. 6830.
5. Many of the Justice Department officials who worked with Robert Kennedy in the "Get Hoffa" campaign turned up playing supporting roles in forcing Richard Nixon out of office, particularly when Nixon demonstrated a commitment to go after organized crime. This includes most especially Horace S. Webb.
6. Jeremy Jacobs admitted to the activities directed against Steiger under questioning during 1972 hearings of the House Select Committee on Crime.
7. U.S. Labor Party Legal Division, "Evidence to Overturn the Fraudulent Election of James Earl Carter," Campaigner Special Report (New York: Campaigner Publications, November 26, 1976); U.S. Labor Party Legal Division, "Conclusive Evidence of Carter Vote Theft Goes Before Federal Court in Ohio and New York," Campaigner Special Report (New

York: Campaigner Publications, December 9, 1976). The Committee for Fair Elections, a nonpartisan citizens group representing participation from the U.S. Labor Party, the Democratic, Republican, and American Independent parties, initiated official investigations and selective court actions in Pennsylvania, Wisconsin, New York, and Ohio as the result of accumulated evidence of overwhelming fraud in the general elections of November, 1976. In addition to extensive regional press coverage of the specific legal actions, the investigations and legal actions received national coverage on CBS television news (The Seven O'Clock Report) by Walter Cronkite and in the Washington Star by Jack Germond.

During those same 1976 general elections, the following additional situations suggested similar evidence of election tampering on a large scale:

\* Rep. Richard Torny was convicted of vote fraud in the Louisiana Democratic primary following a federal grand jury investigation. Torny was removed from the congressional seat that he won in the subsequent November general election.

\* Ron Paul, a former U.S. congressman, contested the general elections in Austin, Texas, in which he was narrowly defeated by Democratic Party candidate Robert Gamage. Paul proved sizable fraud before the courts: however, the judge ruled that sufficient magnitude of fraud to turn the elections had not been shown and denied Paul's motion to be placed in Congress.

\* Two witnesses to massive fraud by Congressman William Clay (D-Mo.) in the November elections in St. Louis subsequently died under violent and mysterious circumstances. Clay is linked to the Jacobs family interests (see below in text).

8. "Critic Changes Tune," Courier Express (Buffalo, N.Y.), January 27, 1977.

9. According to a July 1978 edition of the Toronto Globe-Mail, Mark Phillips stayed at the residence of Koffler when he went to Canada.

10. Courier Express, December 28, 1970.-

11. According to the June 15, 1972, Buffalo Evening News, Max Jacobs was a heavy contributor to Scoop Jackson.

12.' The information presented here on the HongShang takeover attempt is on the public record and was reported in the Courier Express.

13. Courier Express, February 24, 1976.

14. The top Israeli purveyor of weapons to the Central American dictatorships is one Shaul Eisenberg, who operates behind a myriad of trading company fronts, of which the best known is "United Development, Inc." with headquarters in Panama. Eisenberg is the world's largest supplier of assassination weapons, as well as the "godfather" of the Israel Aircraft Company, the manufacturer of Israel's Kfir fighter plane. According to the Washington Post of September 11, 1978, he is also one of the most senior operatives of the Israeli secret intelligence, the Mossad. With specializations in the Far East and Latin America, Eisenberg runs

the Zurich Mossad station, under the day-to-day control of the Zurich branch of Bank Leumi and the personal direction of a Swiss-based member of the Oppenheimer family. Apart from the arming of such entities as the Somoza dictatorship of Nicaragua, the capabilities of the Eisenberg operation include Israel's main illicit connections to the Far East, where Eisenberg spent World War II, and a significant portion of wholesale drug transshipments across the Mediterranean route. Eisenberg built (and paid for in cash) a building dubbed "Adia House" in Tel Aviv, housing most of the Asian countries' trade representatives in Israel. He also has a billion-dollar credit line in Hong Kong at the Standard Chartered Bank.

15. Zoakos, *Assassination Plot*, pp. 9-11. The information was originally developed in a July 15, 1978 telephone interview with Paul Bowden, the head of the Detroit Anti-Nazi Coalition and himself a retired UAW worker.

16. Jeffrey Steinberg, "Jacobs Family and Related Organized Crime Activities in the St. Louis, Mo. Area," an unpublished manuscript (New York), October 1978.

## 6. THE PHILADELPHIA STORY

1. Phone interview with official of Paco Pharmaceuticals. For Ernst Japhet control over Paco, see *Charterhouse Japhet Annual Report*, 1977.

2. *Proceedings and Yearbook, Philadelphia Yearly Meeting of the Religious Society of Friends*, 1978, cites "friendly presence group" activities to conduct nonviolent demonstrations in support of human rights for MOVE (p. 11-12) and operations request of \$2000 per month for work in conjunction with vigil at MOVE headquarters (p. 16). According to the *Philadelphia Inquirer*, a diary was found at MOVE headquarters after the September 1978 shootout citing support, including financial support, from the American Friends Service Committee.

3. *William Penn Foundation Annual Report for 1977* cites \$120,000 to Neighborhood Resources West (p. 39). The wife of the director for the Movement for a New Society is on the board of directors of the NRW. NRW funds Movement houses in West Philadelphia for "community development," according to interviews with "members of both the NRS and the Movement for a New Society. The *Annual Report of the Philadelphia Foundation for the year ending April 1977* and also for 1976 cites over \$20,000 transferred to a "clearinghouse" which in turn funds community projects (p. 14); see also *Proceedings and Yearbook, Philadelphia Yearly Meeting*, pp. 183-84.

## PART IV

# Creating the Market: The British Origins of the Counterculture

The acts or gestures that accompany the incantations constitute the rite (of Isis). In these dances, the beating of drums and the rhythm of music and repetitive movements were helped by hallucinatory substances like hashish or mescal; these were consumed as adjuvants to create the trance and the hallucinations that were taken to be the visitation of the god. The drugs were sacred, and their knowledge was limited to the initiated; their preparation and their gathering were surrounded with . . . secrecy. . . . In some cases, like the harvesting of the mandrake, they remained secret until the Middle Ages.

Possibly because they gave the illusion of satisfied desires, and allowed the innermost feelings to escape, these rites acquired during their execution a frenzied character that is conspicuous in certain spells: "Retreat! Re is piercing thy head, slashing thy face, dividing thy head, crushing it in his hands; thy bones are shattered, thy limbs are cut to pieces."

The House of Life: Magic and  
Medical Science in Ancient Egypt,  
by Paul Ghalioungui (1)

If this description of pagan cult ceremonies dating back to the Egyptian Isis priesthood of the third millenium B.C. reads like a journalistic account of a "hippy be-in" circa 1969 A.D., it should. The counterculture that was foisted on the 1960s adolescent population is not merely analogous to the ancient Cult of Isis. It is a literal resurrection of the Isis cult — down to the popularization of the Isis cross as the counterculture's most frequently used symbol.

As we shall show here, the drug-rock counterculture was the result of Britain's 30-year Opium War against the United States, which included not only chemical and psychological warfare but the hideous military project called the Vietnam War.

The British fostered the creation of the bestial rock and drug cult for the same reason that their colonial policy enforced backwardness throughout the empire and for the same reason that the pharaohs of ancient Egypt and the Ptolemaic priests of the first century A.D. Egypt fostered the practice. As long as a population is organized around superstition, magic, hallucinogenic drugs, and animal-like pursuit of immediate sensory gratification ("if it feels good, do it"), it will remain incapable of acting on behalf of its own interests. It was for this reason that the oligarchies of ancient Egypt organized themselves into priesthoods and created dozens of apparently contending pagan cults, all characterized by the same bestialist outlook.

True religion, as opposed to the worship of magically endowed cult-gods, addresses man's capacity for reason, his "Godliness." Unlike the lower beasts, the human species is uniquely capable of creative thought — the ability to break out of the bounds of sense-certainty, develop new scientific knowledge, and socially apply that knowledge through technological innovations that uplift the material and cultural condition of man. Historically such true religion has been associated with the development of urban centers where science, culture, and commerce could flourish. Its sworn enemy has been the oligarchy and its priesthoods and cults which on countless occasions have mobilized to sack the cities, murder the city-builders, and bring on the "dark ages" of plague and ignorance.

The gentlemen at the Royal Institute of International Affairs responsible for charting Britain's global drug trafficking recognized that no mass-scale drug epidemic could be produced in the United States until the American people's fundamental commitment to scientific and technological progress had first been significantly undermined. The drug-rock counterculture was no mere "sociological phenomenon."

In his *City of God*, the great humanist St. Augustine described the degeneration into cultism that brought on the destruction of Rome, in terms that have direct bearing on the post-1963 degeneration of the United States:

The stage plays, those exhibitions of depravity and unbounded license, were not introduced in Rome by men's vices, but by the command of your gods. Far more justifiably might you have paid divine honors to your Scipio than worship gods such as those, for they were not more virtuous than their high priest.

Are your minds bereft of reason? You are not merely mistaken; this is madness. Here are people in the east bewailing Rome's humiliation, and great states in remote regions of the earth holding public mourning and lamentation — and you Romans are searching for theaters, pouring into them, filling them, behaving more irresponsibly than ever before. It is this spiritual disease, degeneration, decline into immorality and indecency that Scipio feared when he opposed the erection of theaters. He saw how easily ease and plenty would soften and ruin you. He did not wish you to be free from fear.

He did not think that the republic could be happy while walls were standing, yet morals were collapsing. But, you were more attached to the seductions of foul spirits than to the wisdom of men with foresight. That is why you take no blame for the evil you do, but blame Christianity for the evil you suffer. Depraved by prosperity, and unchastened by adversity, you desire, in your security, not the peace of the State, but liberty for license. (2)

## The high priesthood

The "case officer" for Britain's Opium War was Aldous Huxley, the grandson of Thomas H. Huxley, a founder of the Rhodes Round Table group and a lifelong collaborator of Arnold Toynbee. Toynbee himself sat on the RIIA council for nearly 50 years, headed the Research Division of British intelligence throughout World War II, and served as wartime briefing officer to Prime Minister Winston Churchill.

Toynbee's "theory" of history, expounded in his 20-volume history of Western civilization, was that its determining feature has always been the rise and decline of grand imperial dynasties. At the very point that these dynasties — the "thousand year Reich" of the Egyptian pharaohs, the Roman Empire, and the British Empire — succeed in imposing their rule over the entire face of the earth, they tend to decline. Toynbee argued that this decline could be abated if the ruling oligarchy (like that of the British Round Table) would devote itself to the recruitment and training of an ever-expanding priesthood devoted to the principles of imperial rule. (3)

Trained at Toynbee's Oxford, Aldous Huxley was one of the initiates in the "Children of the Sun," a dionysian cult comprised of the children of Britain's Round Table elite. (4) Among the other initiates were T.S. Eliot, W. H. Auden, Sir Oswald Moseley, and D. H. Lawrence, Huxley's homosexual lover. It was Huxley, furthermore, who would launch the legal battle in the 1950s to have Lawrence's pornographic novel *Lady Chatterley's Lover* allowed into the United States on the ground that it was a misunderstood "work of art." (5)

Aldous Huxley, along with his brother Julian, was tutored at Oxford by H. G. Wells, the head of British foreign intelligence during World War I. Wells's writings (*Time Machine*, etc.), along with those of his proteges Aldous Huxley (*Brave New World*) and George Orwell (1984, *Animal Farm*), were written as "mass appeal" organizing documents on behalf of Britain's "enlightened" world order. Only in the United States are these "science fiction classics" taught in grade school as attacks



against fascism. (A contemporary British intelligence operative-turned-author, Anthony Burgess, wrote *Clockwork Orange* in the Wells-Orwell-Huxley tradition as a pornographic celebration of the drug-rock counterculture.)

Under Wells's tutelage Huxley was first introduced to Aleister Crowley (see Part II, Section 9). Crowley was a product of the cultist circle that developed in Britain from the 1860s under the guiding influence of Edward Bulwer-Lytton — who, it will be recalled, was the colonial minister under Lord Palmerston during the Second Opium War. In 1886, Crowley, William Butler Yeats, and several other Bulwer-Lytton proteges formed the Isis-Urania Temple of Hermetic Students of the Golden Dawn. This Isis Cult was organized around the 1877 manuscript *Isis Unveiled* by Madame Helena Blavatsky, in which the Russian occultist called for the British aristocracy to organize itself into an Isis Priesthood. (6)

Crowley in turn initiated Aldous Huxley into the Isis-Golden Dawn Temple and introduced him to psychedelic drugs in 1929. (7)

In 1937, Huxley moved to the United States, where he remained throughout the period of World War II. Through a Los Angeles contact, Jacob Zeitlin, Huxley and pederast Christopher Isherwood were employed as script writers for MGM, Warner Brothers, and Walt Disney studios. As we have seen, Hollywood was already dominated by organized crime elements bankrolled and controlled through London. Joseph Kennedy was the front man for a British consortium that created RKO studios, and

"Bugs" Siegel, the West Coast boss of the Lansky syndicate, was heavily involved in Warner Brothers and MGM. Huxley was instrumental in founding a nest of Isis cults in southern California and in a San Francisco suburb called Ojai — which consisted exclusively of several hundred deranged worshippers of Isis and other cult gods. (8) Isherwood, during the California period, translated and propagated a number of ancient Zen Buddhist documents, inspiring Zen-mystical cults along the way. (9)

In effect, Huxley and Isherwood (joined soon afterwards by Thomas Mann and his daughter Elisabeth Mann Borgheese) laid

the foundation during the late 1930s and the 1940s for the later LSD culture by recruiting a core of "initiates" into the Tsis cults that Huxley's mentors Bulwer-Lytton, Blavatsky, and Crowley, had constituted while stationed in India.

## LSD: "visitation from the gods"

The next phase in the war involved the introduction of LSD for which Aldous Huxley was the designated Crown agent.

Lycergic acid diethylamide, or LSD, was developed in 1943 by Albert Hoffman, a chemist at Sandoz A.G. — a Swiss pharmaceutical house owned by S. G. Warburg. While precise documentation is unavailable as to the auspices under which the LSD research was commissioned, it can be safely assumed that British intelligence and its subsidiary U.S. Office of Strategic Services were directly involved. Allen Dulles, the director of the U.S. Central Intelligence Agency in 1952 when that agency began its covert LSD experiment, MK-ULTRA, was the OSS station chief in Berne, Switzerland throughout the early Sandoz research. One of his OSS assistants was James Warburg, of the same Warburg family, who was instrumental in the 1963 founding of the Institute for Policy Studies, and worked with both Huxley and Robert Hutchins. (10)

In 1952, Aldous Huxley returned to the United States from Britain, accompanied by Dr. Humphrey Osmond, the Huxleys' private physician. Osmond had been part of a discussion group Huxley had organized at the National Hospital, Queens Square, London. Along with another seminar participant, J. R. Smythies, Osmond wrote *Schizophrenia: A New Approach*, in which he asserted that mescaline — a derivative of peyote mushrooms used in ancient Egyptian and Indian pagan rites — produced a psychotic state identical in all clinical respects to schizophrenia. On this basis, Osmond and Smythies advocated experimentation with hallucinogenic drugs as a means of developing a "cure" for mental disorders.

Osmond was brought in by Allen Dulles to play a prominent role in MK-ULTRA. At the same time, Osmond, Huxley, and the

University of Chicago's Robert Hutchins held a series of secret planning sessions in 1952-53 for a second, private LSD-mescaline project under the Ford Foundation funding. (11) Hutchins, it will be recalled, was the program director of the Ford Foundation during this period. His LSD proposal incited such rage in Henry Ford II that Hutchins was fired from the foundation the following year.

It was also in 1953 that Osmond gave Huxley a supply of mescaline for his personal consumption. The next year, Huxley wrote *The Doors of Perception*, the first public manifesto of the psychedelic drug cult, which claimed that hallucinogenic drugs "expand consciousness."

Although, through the sane intervention of Henry Ford, the Ford Foundation rejected the Hutchins-Huxley proposal for private foundation sponsorship of LSD, it appears that the project was not dropped. Beginning in 1962, the RAND Corporation of Santa Monica California began a four-year experiment in LSD, peyote, and marijuana. The RAND Corporation was established simultaneously with the reorganization of the Ford Foundation during 1949-50. RAND was an outgrowth of the wartime Strategic Bombing Survey, a "cost analysis" study of the psychological effects of random bombings of German population centers. It is well known that RAND has been responsible for conducting such patently insane policies as "limited thermonuclear war" and the "insanity doctrine" into the U.S. Pentagon — most notably through RAND's James Schlesinger.

According to the 1962 RAND Abstract, W. H. McGlothlin conducted a preparatory study on "The Longlasting Effects of LSD on Certain Attitudes in Normals: An Experimental Proposal." The following year, McGlothlin conducted a year-long experiment on 30 human guinea pigs, called "Short-Term Effects of LSD on Anxiety, Attitudes and Performance." The study incredibly concluded that LSD improved emotional attitudes and resolved anxiety problems. (12)

## HUXLEY AT WORK

Huxley expanded his own LSD-mescaline project in California by recruiting several individuals who had been initially drawn

into the cult circles he helped establish during his 1937-45 stay. The two most prominent individuals were Alan Watts and Dr. Gregory Bateson (the former husband of Dame Margaret Mead). Mead).

Watts became a self-styled "guru" of a nationwide Zen Buddhist cult built around a series of his well-publicized books. Bateson, an anthropologist with the OSS, became the director of a hallucinogenic drug experimental clinic at the Palo Alto Veterans Administration Hospital. Under Bateson's auspices, the initiating "cadre" of the LSD cult — the hippies — were programmed. (13)

Watts at the same time founded the Pacifica Foundation, which sponsored two radio stations — WKBW in San Francisco and WBAI-FM in New York City. The Pacifica stations were among the first to push the "Liverpool Sound" — the British-imported hard rock twanging of the Rolling Stones, the Beatles, and the Animals. They would later pioneer "acid rock" and eventually the avowedly fascist-psychotic "punk rock."

During the fall of 1960, Huxley was appointed Visiting Professor at the Massachusetts Institute of Technology in Boston. Around his stay in that city, Huxley created a circle at Harvard parallel to his West Coast LSD team. The Harvard group included Huxley, Osmond, and Watts (brought in from California), Timothy Leary, and Richard Alpert.

The ostensible topic of the Harvard seminar was "Religion and its Significance in the Modern Age." The seminar was actually a planning session for the "acid rock" counterculture. Huxley established contact during this Harvard period with the president of Sandoz, which at the time was working on a CIA contract to produce large quantities of LSD and psilocybin (another synthetic hallucinogenic drug) for MK-ULTRA, the CIA's official chemical warfare experiment. According to recently released CIA documents, Allen Dulles, purchased over 100 million doses of LSD — almost all of which flooded the streets of the U.S. during the late 1960s. During the same period Leary began privately purchasing large quantities of LSD from Sandoz as well. (14)

From the discussions of the Harvard seminar, Leary put

together the book *The Psychedelic Experience*, based on the ancient cultist Tibetan Book of the Dead. It was this book that popularized Osmond's previously coined term, "psychedelic mind expanding."

### THE ROOTS OF THE FLOWER PEOPLE

Back in California, Gregory Bateson had maintained the Huxley operation out of the Palo Alto VA hospital. Through LSD experimentation on patients already hospitalized for psychological problems, Bateson established a core of "initiates" into the "psychedelic" Isis Cult.

Foremost among his Palo Alto recruits was Ken Kesey. In 1959, Bateson administered the first dose of LSD to Kesey. By 1962, Kesey had completed a novel, *One Flew Over the Cuckoo's Nest*, which popularized the notion that society is a prison and the only truly "free" people are the insane. (15)

Kesey subsequently organized a circle of LSD initiates called "The Merry Pranksters." They toured the country disseminating LSD (often without forewarning the receiving parties), building up local distribution connections, and establishing the pretext for a high volume of publicity on behalf of the still miniscule "counterculture."

By 1967, the Kesey cult had disseminated such quantities of LSD that a sizable drug population had emerged, centered in the Haight-Ashbury district of San Francisco. Here Huxley collaborator Bateson set up a "free clinic."

Among the founders of the "free clinic" were:

Dr. David Smith — now a "medical advisor" for the National Organization for the Reform of Marijuana Laws (NORML), an entity we shall discuss in Part V;

Dr. Ernest Dernberg — an active-duty military officer, probably on assignment through MK-ULTRA;

Roger Smith — a street gang organizer trained by Saul Alinsky. During the Free Clinic period, Roger Smith was the parole officer (and probable controller) of the cultist mass murderer Charles Manson;

Dr. Peter Bourne — formerly President Carter's special

assistant on drug abuse. Bourne did his psychiatric residency at the clinic. He had previously conducted a profiling study of GI heroin addicts in Vietnam.

The Free Clinic paralleled a project at the Tavistock Institute, the psychological warfare agency for British Secret Intelligence Service. Tavistock, founded as a clinic in London in the 1920s, had become the Psychiatric Division of the British Army during World War II under its director, Dr. John Rawlings Rees. (16)

During the 1960s, the Tavistock Clinic fostered the notion that no criteria for sanity exist and that psychedelic "mind-expanding" drugs are valuable tools of psychoanalysis. In 1967, Tavistock sponsored a Conference on the Dialectics of Liberation, chaired by Tavistock psychoanalyst Dr. R. D. Laing, himself a popularized author and advocate of drug use. That conference drew a number of people who would soon play a prominent role in fostering terrorism; Angela Davis and Stokely Carmichael were two prominent American delegates. (17)

Thus, by 1963, Huxley had recruited his core of "initiates." As the general reader is well aware, all of them — Leary, Osmond, Watts, Kesey, Alpert — were highly publicized promoters of the early LSD counterculture. By 1967, with the cult of "Flower People" in Haight-Ashbury and the emergence of the antiwar movement, the United States was ready for the inundation of LSD, hashish, and marijuana that hit American college campuses in the late 1960s.

## "The beating of drums ..."

In 1963, the Beatles arrived in the United States, and with their decisive airing on the Ed Sullivan Show, the "British sound" took off in the USA. For their achievement, the four rocksters were awarded the Order of the British Empire by Her Majesty the Queen. The Beatles and the Animals, Rolling Stones, and homicidal punk rock maniacs who followed were, of course, no more a spontaneous outpouring of alienated youth than was the acid culture they accompanied.

The social theory of rock was elaborated by British agent and musicologist Theodor Adorno, who came to the United States in 1939 to head the Princeton University Radio Research Project (18) Adorno writes:

In an imaginary but psychologically emotion-laden domain, the listener who remembers a hit song will turn into the song's ideal subject, into the person for whom the song ideally speaks. At the same time, as one of many who identify with that fictitious subject, that musical I, he will feel his isolation ease as he himself feels integrated into the community of "fans." In whistling such a song he bows to a ritual of socialization, although beyond this unarticulated subjective stirring of the moment his isolation continues unchanged ....

The comparison with addiction is inescapable. Addicted conduct generally has a social component: it is one possible reaction to the atomization which, as sociologists have noticed, parallels the compression of the social network. Addiction to music on the part of a number of entertainment listeners would be a similar phenomenon (emphasis added). (19)

The Hit Parade is organized precisely on the same principles used by Egypt's Isis priesthood and for the same purpose: the recruitment of youth to the dionysiac counterculture.

In a report prepared for the University of Michigan's Institute of Social Research, Paul Hirsch described the product of Adorno's Radio Research Project. (20) According to Hirsch, the establishment of postwar radio's Hit Parade "transformed the mass medium into an agency of sub-cultural programming." Radio networks were converted into round-the-clock recycling machines that repeated the top 40 "hits." Hirsch documents how all popular culture — movies, music, books, and fashion — is now run on the same program of preselection. Today's mass culture operates like the opium trade: the supply determines the demand.

## The Vietnam war and the antiwar trap

But without the Vietnam War and the British Secret Intelligence Services' "antiwar" movement, the Isis Cult would have been contained to a fringe phenomenon — no bigger than the beatnik cult of the 1950s that was an outgrowth of the early Huxley ventures in California. The Vietnam war created the climate of moral despair that opened the educated elite of America's youth — the first 20th-century generation raised in a climate free from depression and war — to drugs.

The reader has already been shown that the Kennedy Administration installed in the White House by the 1960 elections was sponsored by the British Round Table (see Part III). Under Kennedy, American involvement in Vietnam — which had been vetoed by the Eisenhower Administration — was initiated on a limited scale. Under Lyndon Johnson, American military presence in Vietnam began in earnest. Johnson's principal Vietnam advisor was not even American. He was a British officer, Sir Robert Thompson, whose entire career had been spent conducting counterinsurgency warfare in Southeast Asia. Playing on the President's "yahoo" anticommunist profile, Thompson convinced President Johnson that communist insurgency had to be stopped at all costs and that a strong U.S. military presence in South Vietnam was necessary for that containment. Johnson, a military and foreign policy incompetent whose other chief Vietnam advisor, National Security Council Director Walt Rostow, held the Cross of the Order of the British Empire, was dragged by the nose into Vietnam by the British.

The British, to put it simply, had two reasons for manipulating the United States into Vietnam. The first was to foster a "limited war" confrontation in Southeast Asia between the United States and the Soviet Union (through its North Vietnamese "surrogate") that would both refuel the Cold War and effectively undercut the influence of both powers in the region. The second and equally significant reason was to demoralize the American people to such a degree that the sense of national pride and



confidence in the future progress of the republic would be forever shattered.

Just as Aldous Huxley began the counterculture subversion of the United States 30 years before its consequences became evident to the public, Lord Bertrand Russell began laying the foundations for the antiwar movement of the 1960s before the 1930s expired. Lord Russell and Aldous Huxley cofounded the Peace Pledge Union in 1937 — just before both went to the United States for the duration of World War II. (21)

Russell's antiwar zeal, it should be noted, was a patent fraud. During World War II, Lord Russell opposed British and American warfare against the Nazis because he was a peripheral member of the pro-Nazi Cliveden Set. In 1947, when the United States was in possession of the atomic bomb and Russia was not, Russell loudly advocated that the United States preemptively commence World War III — against the Soviet Union. His 1950s "Ban the Bomb" aboutface was fundamentally an antitechnology movement against the peace-through-development potentials represented by President Eisenhower's "Atoms for Peace" initiative to the Soviets; Eisenhower's 1954 proposal to the United Nations was predicated on the development of thermonuclear fusion power and concomitant city-building projects throughout the underdeveloped sector.

From the mid-1950s on, Russell's principal assignment was to build an international antiwar and anti-American movement. Coincident with the escalation of U.S. involvement in Vietnam under British manipulation, Russell upgraded the old Peace Pledge Union (which had been used in West Germany throughout the postwar period to promote an anticapitalist "new left" wing of the Social Democratic Party, recruiting several future members of the Baader-Meinhof terrorist gang in the process) into the Bertrand Russell Peace Foundation.

In the United States, New York's Our Crowd banks provided several hundred thousand dollars to establish the Institute for Policy Studies (IPS), as effectively the U.S. branch of the Russell Peace Foundation. Among the founding trustees of the IPS was James Warburg, directly representing the family's interests.

IPS drew its most active operatives from a variety of British-

dominated institutions. IPS founding director Marcus Raskin was a member of the Kennedy Administration's National Security Council and also a fellow of the National Training Labs, a U.S. subsidiary of the Tavistock Institute founded by Dr. Kurt Lewin.

IPS in turn financed and ran the Students for a Democratic Society (SDS) — the student antiwar movement — up through and beyond its splintering into a number of terrorist and Maoist gangs in the late 1960s. (22) If one were to take the time to trace the pedigrees of all of the leaders of the antiwar movement in the United States, an almost unbroken pattern of either IPS or direct Russell Foundation control would emerge. This is not to say that the majority of antiwar protesters were paid, certified British agents. On the contrary, the overwhelming majority of antiwar protesters went into SDS on the basis of outrage at the developments in Vietnam and subsequently got trapped. Once caught in the environment defined by Russell and the Tavistock Institute's wartime psychological warfare experts, their sense of values and their creative potential were snatched up in a cloud of hashish smoke.

## The LSD connection

Who provided the drugs that swamped the antiwar movement and the college campuses of the United States in the late 1960s? The organized crime infrastructure — which had set up the Peking Connection for the opium trade in 1928 — provided the same services in the 1960s and 1970s it had provided during Prohibition. This was also the same network Huxley had established contact with in Hollywood during the 1930s.

The LSD Connection begins with one William "Billy" Mellon Hitchcock. Hitchcock was a graduate of the University of Vienna and a scion of the millionaire Mellon banking family of Pittsburgh. (Andrew Mellon of the same family had been the Treasury Secretary throughout Prohibition.) In 1963, when Timothy Leary was thrown out of Harvard, Hitchcock rented a 55-room mansion in Millbrook, New York where the entire Leary-Huxley circle of initiates was housed until its later move back to California. (23)

Hitchcock was also a broker for the Lansky syndicate and for the Fiduciary Trust Co., Nassau, Grand Bahamas — a wholly owned subsidiary of Investors Overseas Services. He was formally employed by Delafield and Delafield Investments where he worked on buying and selling vast quantities of stock in the Mary Carter Paint Co. — soon to become Resorts International.

In 1967, Dr. Richard Alpert put Hitchcock in contact with Augustus Owsley Stanley III. As Owsley's agent, Hitchcock retained the law firm of Rabinowitz, Boudin and Standard (24) to conduct a feasibility study of several Caribbean countries to determine the best location for the production and distribution of LSD and hashish.

During this period, Hitchcock joined Leary and his circle in California. Leary had established an LSD cult called the Brotherhood of Eternal Love and several front companies, including Mystics Art World, Inc. of Laguna Beach, California. These California-based entities ran lucrative trafficking in Mexican marijuana and LSD brought in from Switzerland and Britain. The British connection had been established directly by Hitchcock, who contracted the Charles Bruce chemical firm to import large quantities of the chemical components of LSD. With financing from both Hitchcock and George Grant Hoag, the heir to the J.C. Penney dry goods fortune, the Brotherhood of Eternal Love set up LSD and hashish production-marketing operations in Costa Rica in 1968. (25)

Toward the end of 1968, Hitchcock expanded the LSD-hashish production operations in the Caribbean with funds provided by the Fiduciary Trust Co. (IOS). In conjunction with J. Vontobel and Co. of Zurich, Hitchcock founded a corporation called 4-Star Anstalt in Liechtenstein. This company, employing "investment funds" (i.e., drug receipts) from Fiduciary Trust, bought up large tracts of land in the Grand Bahamas as well as large quantities of ergotamine tartrate, the basic chemical used in the production of LSD. (26)

Hitchcock's personal hand in the LSD connection abruptly ended several years later. Hitchcock had been working closely with Johann F. Parravicini of the Parravicini Bank Ltd. in Berne, Switzerland. From 1968, they had together funded even

further expansion of the Caribbean-California LSD-hashish ventures. In the early 1970s, as the result of a Securities and Exchange Commission investigation, both Hitchcock and Parravacini were indicted and convicted of a \$40 million stock fraud. Parravacini had registered a \$40 million sale to Hitchcock for which Hitchcock had not put down a penny of cash or collateral. This was one of the rare instances in which federal investigators succeeded in getting inside the \$200 billion drug fund as it was making its way around the "offshore" banking system.

Another channel for laundering dirty drug money — a channel yet to be compromised by federal investigative agencies — is important to note here. This is the use of tax-exempt foundations to finance terrorism and environmentalism. One immediately relevant case makes the point.

In 1957, the University of Chicago's Robert M. Hutchins established the Center for the Study of Democratic Institutions (CSDI) in Santa Barbara, California. Knight Commander Hutchins drew in Aldous Huxley, Elisabeth Mann Borghese, and some Rhodes Scholars who had originally been brought into the University of Chicago during the 1930s and 1940s.

The CSDI was originally funded (1957-61) through a several-million-dollar fund that Hutchins managed to set up before his untimely departure from the Ford Foundation. From 1961 on, the Center was principally financed by organized crime. The two funding conduits were the Fund of Funds, a tax-exempt front for Bernie Cornfeld's IOS, and the Parvin Foundation, a parallel front for the Parvin-Dohrman Co. of Nevada. IOS and Parvin-Dohrman held controlling interests in the Desert Inn, the Aladdin, and the Dunes — all Las Vegas casinos associated with the Lansky syndicate. IOS, as already documented, was a conduiting vehicle for LSD, hashish, and marijuana distribution throughout the 1960s. (27) In 1967 alone, IOS channeled between \$3-4 million to the center. Wherever there is dope, there is Dope, Inc.

# Notes

## IV. CREATING THE MARKET: THE BRITISH ORIGINS OF THE COUNTERCULTURE

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6. Helena P. Blavatsky, *Isis Unveiled, A Master Key to the Mysteries of Ancient and Modern Science and Theology* (Los Angeles: Theosophy Co., 1931).
7. Francis King, *Sexuality, Magic and Perversion* (New York: Citadel, 1974), p. 118.
8. Sybille Bedford, *Aldous Huxley: A Biography* (New York: Alfred A. Knopf and Harper & Row, 1974).
9. Ibid.
10. Institute for Policy Studies, "The First Ten Years, 1963-1973," Washington, D.C., 1974.
11. Humphrey Osmond, *Understanding Understanding* (New York: Harper & Row, 1974).
12. RAND Catalogue of Documents.
13. Gregory Bateson, *Steps to the Ecology of the Mind* (New York: Chandler, 1972).
14. Ralph Metzner, *The Ecstatic Adventure* (New York: Macmillan, 1968).
15. See Ronald William Clark, *The Huxleys* (New York: McGraw-Hill, 1968).
16. Michael Minnicino, "Low Intensity Operations: The Reesian Theory of War," *The Campaigner* (April, 1974).
17. R.D. Laing et al., *The Dialectics of Liberation* (London: Tavistock Press, 1967).
18. Theodor Adorno was a leading professor at the Frankfurt School of Social Research in Germany, founded by the British Fabian Society. A collaborator of twelve-tone formalist and British intelligence operative,

Arnold Schonberg, Adorno was brought into the United States in 1939 to head up the Princeton Radio Research Project. The explicit aim of this project, as stated in Adorno's *Introduction to the Sociology of Music*, was to program a mass "musical" culture that would steadily degrade its consumers. Punk rock is, in the most direct sense, the ultimate result of Adorno's work.

19. Theodor Adorno, *Introduction to the Sociology of Music* (New York: Seabury Press, 1976).

20. Paul Hirsch, "The Structure of the Popular Music Industry: The Filtering Process by Which Records are Preselected for Public Consumption," Institute for Social Research's Survey Research Center Monograph, 1969.

21. Ronald W. Clark, *The Life of Bertrand Russell* (New York: Alfred A. Knopf, 1976), p. 457.

22. Illinois Crime Commission Report, 1969. The Institute for Policy Studies (IPS) was established in 1963 by Marcus Raskin, a former National Security Advisor under NSC Director McGeorge Bundy, and Richard Barnett, a former State Department Advisor on Arms Control and Disarmament. Among the Board of Trustees of IPS were Thurmond Arnold, James Warburg, Philip Stern, and Hans Morgenthau, with seed money from the Ford Foundation (later to be headed by McGeorge Bundy). IPS has functioned as the "New Left" think tank and control center for local community control, community mental health centers and direct terrorist organizations. In its report "The First Ten Years," the Institute lists among its lecturers and fellows members of the Weathermen group, known associates of the Japanese Red Army, the Puerto Rican terrorist Armed Forces of National Liberation (FALN), and the Black Liberation Army. See also Carter and the Party of International Terrorism, Special Report by the U.S. Labor Party, August, 1976.

23. Mary Jo Warth, "The Story of Acid Profiteers," *Village Voice*, August 22, 1974.

24. *Ibid.*

25. *Ibid.*

26. *Ibid.*

27. Hutchinson, Vesco.

PARTV

The Drug Lobby:  
The Criminals Come  
Out in the Open

In California, laws are now before the state legislature that would decriminalize all drug use on the grounds that this would free law enforcement and judicial agencies to deal with "more serious crime." The sponsor of that bill is State Representative Willie Brown, a paid lobbyist for Resorts International.

That's the tip-off to the real nature of the Drug Lobby. Britain's secret army of organized crime is now out in the open demanding the expansion of its dope market.

Since 1973, when Watergate finished off Nixon's attempt to shut down the drug trade, the Drug Lobby has succeeded in decriminalizing marijuana in nine states. In every case, the result has been an immediate outbreak of drug abuse of epidemic proportions. According to Dr. Peter Bensinger, Director of the Drug Enforcement Administration, the decriminalization of marijuana in the state of Maine additionally opened the coastal area as a major smuggling center for marijuana, cocaine, and heroin.

By the open admission of the Drug Lobbyists, legalized proliferation of marijuana is just the foot-in-the-door for eventual



legal cocaine and heroin proliferation. Dr. Peter Bourne, who until 1978 was President Carter's special advisor on drug abuse, making him the highest ranking federal drug enforcement officer, has appeared on nationwide television to advocate national legalization of cocaine.

A systematic campaign to legalize heroin use has been underway since 1977. A bill was placed before the state legislature of Ohio and narrowly defeated in committee in 1977 removing heroin from the list of Category I drugs (those drugs outlawed for even medical use). New Mexico and Florida — both states identified by the DEA as major distribution points for heroin — have bills presently pending that would, like the Ohio bill, legalize the use of heroin under medical supervision in cases of terminal illness and for "experimental purposes." When a similar bill was briefly enacted in New York (in 1919, coincident with Prohibition), the widely documented consequences were an immediate jump in heroin addiction, far in excess of the number of "officially registered" patients.

At present, two Zionist Lobby sponsored bills are before the U.S. Congress that would nationally legalize marijuana: the Javits-Koch bill and the Kennedy-authored S.1437 which thoroughly overhauls the Federal Criminal Codes on a British "common law" basis.

## Kennedy's drug-death Cult

The U.S. Drug lobby is run out front by the Most Venerable Military and Hospitaller Order of St. John of Jerusalem.

In the 11th century, the Knights-Hospitallers had organized hospices as a "death cult" where the sick were administered hallucinogenic drugs instead of medical treatment. The hospices became known as the dissemination point for drugs and lethal poisons, often targeted at the Knights' humanist adversaries.

In 1967, the Order of St. John resurrected the 11th century hospice movement at St. Christopher's Hospice in London. Here, "patients" are administered a "pain-killer" called the Brompton Mixture. It consists of heroin, cocaine, alcohol, tranquilizers, and

chloroform water. It is administered every three hours — until the patient dies. (1)

In 1977, the Order of St. John launched a hospice movement in the United States. It advocates the decriminalization of heroin and cocaine — on the "humanitarian" grounds that everyone has the human right to die as he or she sees fit.

To propagate the hospice movement here, the Order founded the National Committee on the Treatment of Intractable Pain (NCTIP). Its honorary chairman is Lady Mary Ward, a British specialist in the hospice movement who founded Hospice, Inc. in Connecticut as the first operating "death clinic" in the U.S. The director of the NCTIP is another British national, Arthur Trebach. A professor at the Center for the Administration of Justice at the American University in Washington, D.C., Trebach is also the Director of the Institute on Drugs, Crime and Justice in Britain. For the past five years, Trebach has sponsored hundreds of U.S. medical students, professional physicians, and others for special indoctrination sessions at the Imperial College of Science and Technology, University of London. The theme of the session is the "success" of Britain's policy of legalizing heroin in curbing the illegal drug problem. (2)

In the United States, the Hospice, Inc. is financed by the Kaiser Foundation, which includes on its board Kingman Brewster, current U.S. Ambassador to the Court of St. James and also a member of the Order of St. John. The Kaiser Foundation's participation in Britain's Opium War dates back to at least 1958, when Dr. Timothy Leary conducted his first experiments with LSD at the Foundation's Kaiser Experimental Hospital in San Francisco.

The other institution currently involved in financing the hospice project is the Joseph and Rose Kennedy Institute for the Study of Human Reproduction and Bioethics at Georgetown University. (3)

In October, 1978, the first annual National Hospice Organizing Meeting took place in Washington, D.C.; the two keynote speakers were Senator Edward Kennedy, now chairman of the Senate Judiciary Committee and a ranking member of the Senate Public Health Committee, and Secretary of Health, Education and Welfare Joseph Califano.

The Order of St. John also maintains significant influence on the board of directors of the Ford Foundation, the world's largest tax exempt funding conduit for dionysian cults. On the board are John Loudon, a Commander in the Knights of St. John, the chairman of Royal Dutch Shell, and the present President of the World Wildlife Fund (the funding conduit for the terrorist component of the environmentalist movement worldwide) (4) and Eugene Black, another Knight and former director of the World Bank. The foundation's current policy thrust was charted during the 1951-54 period when its associate director and policy formulator was Knights Commander Robert M. Hutchins, whom we met earlier as a controller of the Capone mob.

The Ford Foundation gives multimillion dollar annual grants directly to the Royal Institute of International Affairs; it is also the principal funder of the Drug Lobby in the U.S. In 1972, the Foundation established the Drug Abuse Council with a \$1 million war chest which has been refilled every year since. (5)

As its first public act, the Drug Abuse Council issued a widely circulated report advocating the decriminalization of marijuana, a tenfold increase in methadone (synthetic heroin) clinics, and the British system of legalized government-sponsored heroin addiction. Following the release of that report, the Kaiser Foundation and the Commonwealth Fund established a matching fund that more than doubled the annual revenues available to the Drug Abuse Council to push drug legalization.

## Jacob Javits and organized crime

From this level down, the so-called "liberal" drug decriminalization lobby is thoroughly interlocked with organized crime, by those forces whose monetary interest lies in the expansion of the drug market.

The interlock is keyed around the Zionist Lobby, and more precisely around the person of Senator Jacob Javits (R-N.Y.).

It has been reported by several knowledgeable sources that Senator Javits gets his orders several times a week at private

planning briefing sessions at a number of exclusive New York City apartments. Among those present are Arthur Ross of London's International Institute for Strategic Studies and a sub-agent of Rio Tinto Zinc's Mark Turner, Rio Tinto Zinc's Sam Harris, Nahum Bernstein of the Jerusalem Foundation, and Warburg, Pincus's Henry Simon Bloch. This, in turn, is the same circle that maintains ownership of the Bronfman family.

Startling evidence of this Bronfman-Javits relationship surfaced in 1977 when bribery and extortion were employed to pass a marijuana decriminalization bill through the New York State Legislature and to subsequently cover up the findings of a legislative investigating committee that showed a 300 percent jump in adolescent marijuana abuse in the state following decrim. As the sponsor since 1968 of legislation to federally decriminalize marijuana, Javits (along with cosponsor Edward Koch, now Mayor of New York City) was the most outspoken organizer for the New York State marijuana legalization bill.

During the 1977 legislative session, the bill was defeated. In an unprecedented move pushed by the senior U.S. Senator, Governor Carey personally conducted a pressure campaign on behalf of a reintroduced version of the same bill, which passed by one vote in June, 1977. The decisive vote was cast by a severely ill hospitalized member of the legislature who was helicoptered back and forth from his sickbed by state police on personal orders from the Governor.

These extraordinary measures were perhaps clarified several weeks later when Edgar Bronfman made a personal "loan" to Carey of \$350,000 to pay off the Governor's outstanding 1974 campaign debts. The loan was in violation of state and federal campaign financing laws.

Like the Bronfman family itself, Javits's direct connections to organized crime and drug trafficking run deep. According to affidavits on file from the Internal Revenue Service and the Securities and Exchange Commission, Javits functions as a listening post and conduit of classified government information for the Lansky syndicate.

In one recently publicized incident, Javits provided Lansky and other crime figures with information on IRS moves to secretly

shut down a multibillion dollar tax loophole that enabled mob investors in the domestic coal industry to claim 500 percent tax writeoffs on their investments. Through Javits's "tip" Lansky and Co. made a huge, final move to take over the independent coal operators 24 hours before the new codes went into effect. Another crime figure implicated in the coal industry killing was Richard L. Herring, a Georgia-based intermediary of Robert Vesco. In addition to his involvement in the creation of the offshore Caribbean "dirty money" apparatus through Investors Overseas Services, Vesco is a known collaborator of Lansky's in running the Caribbean Silver Triangle drug traffic in heroin, cocaine, and marijuana. (6)

Javits's links to Lansky and Vesco surfaced in yet another context in October, 1978. After a several ton marijuana bust off the coast of Massachusetts, the defendants were represented in court by James Lawson, the head of the state chapter of the National Organization for the Reform of Marijuana Laws (NORML). NORML is the principal public lobby for the decriminalization of marijuana and addictive drugs in the U.S. Sitting on its Advisory Board is Sen. Jacob Javits. Evidence surfaced in the course of the trial that the front money for the captured marijuana shipment had been provided by Meyer Lansky and Robert Vesco. (7)

Should there be any lingering doubt in the reader's mind that Javits is a witting conspirator in the campaign to poison the country through drugs, the following should be considered. From 1940 to 1942 Javits was the Assistant to the Chief of Chemical Warfare, Office of Strategic Services. From 1954 to 1956, as New York State Attorney General, Javits administered a clandestine experiment on the effects of LSD in conjunction with the Central Intelligence Agency. At least one active duty military officer died as the result of being given an unsolicited dose of LSD — an incident which Javits covered up and which only came to light through recent Freedom of Information Act disclosures. (8)

Javits is, of course, the unofficial public head of the Zionist Lobby in the United States. He is the National Chairman of the Anti-Defamation League of B'nai B'rith, and a board member of the American Jewish Committee, the Zionist Organization of America, and the Amer-Israel Cultural Foundation.

## Kennedy's NORML

Next to Jacob Javits, the most outspoken drug lobbyist in Washington, D.C. is Senator Edward Kennedy, the sponsor of the other pending marijuana decriminalization bill. As the new chairman of the Senate Judiciary Committee, Kennedy has necessarily steered away from Javits's open lobbying posture on behalf of drugs in order to maintain a modicum of credibility among the powerful law enforcement lobby. Yet the Kennedy family is directly represented on NORML's advisory board by ex-brother-in-law Peter Lawford.

Like Javits, Kennedy too is up to his neck in Lansky-Vesco offshore criminal activities. At the top of Kennedy's 1976 campaign contributors list is Joseph Linsey, a leading Zionist Lobby "philanthropist," who is also known as the kingpin of organized crime in New England. Linsey is a business partner of Meyer Lansky in the International Airport Hotel Distributing, Inc.

The Kennedy fortunes are even more directly linked to Lansky through the already documented Resorts International-Intertel interface. Nowhere is this interface more evident than in New Jersey, where a combination of Justice Department "water-gating specialists" teamed with a \$1 million Resorts International lobbying and payoff campaign to legalize casino gambling.

New Jersey Governor Brendan Byrne, who was recruited out of the Essex County Prosecutor's office by the Kennedy Justice hands and installed in the Governor's mansion, is a nationally prominent spokesman for drug decriminalization. As Chairman of the Law Enforcement Assistance Administration (LEAA) National Advisory Committee on Criminal Justice Standards and Goals, Byrne commissioned a series of studies supporting decriminalization of marijuana and casino gambling.

NORML, the clearinghouse organization for the various local dionysian cults and Zionist Lobby "liberal" legislators, is itself a thinly veiled cover through which the poisoning influence of organized crime is extended into the high schools and neighborhoods of the country. NORML is virtually indistinguishable from the drug cult-pornographic magazine *High Times*, which boasts a

several hundred thousand circulation predominantly among high school age drug users. The magazine features dozens of pages of advertisements for drug paraphernalia, instructions on the production and use of legal and illicit drugs, and pornographic photographs and interviews with various "high priests" of the drug-rock cult. Through the revenues of High Times, through an average of \$100,000 per year in tax exempt grants from the Playboy Foundation, and through "frequent anonymous contributions from drug dealers," NORML is financed. (9)

The Advisory Board of NORML includes (in addition to Javits and Peter Lawford): Max Palevsky, chairman of the board of the Xerox Corporation; Hugh Hefner, owner of Playboy Enterprises, Inc.; William F. Buckley Jr.; Burton Joseph, Director of the Playboy Foundation; Canon Walter D. Dennis of the Cathedral of St. John the Divine in New York City, the "temple and headquarters" of the Order of St. John of Jerusalem in the United States; and Stewart Mott, heir to the General Motors fortune.

NORML's general counsels Michael Kennedy and Gerald Lefcourt, are also connected to terrorism through their defense of the Puerto Rican FALN (Armed Forces for National Liberation) and Weatherunderground leader Mark Rudd.

# Notes

## V. THE DRUG LOBBY

1. Karen Steinherz and Marie Mendez, "The Hospice Movement - Taking the Pain Out of Genocide," *New Solidarity*, Vol. IX, No. 62, October 6, 1978. See also Sandol Stoddard, *The Hospice Movement* (Briarcliff Manor, New York: Stein & Day, 1978).
2. Seminar listings for the Fifth Institute on Drugs, Crime and Justice in Britain, held in London in July 1978. The Institute has held five such annual conferences at the Imperial College of the University of London, bringing American university students and American public health officials to study drug abuse in Britain and the "British Model" of treatment.
3. Steinherz and Mendez, *op. cit.*
4. *Who's Who in America* (Chicago: Marquis, 1974); Annual Reports of the World Wildlife Fund of America, 1976 and 1977; see also, *The Foundation Directory*, 5th Edition (New York: The Foundation Center).
5. Ford Foundation Annual Reports, 1972-78, and The Drug Abuse Council Annual Reports, 1972-77.
6. NBC-TV News broadcast transcript, "Coal Fraud," Reporters Ross and Silverman, September, 1978.
7. Federal District Court Records of the First Circuit Court, Boston, Massachusetts. Additional information was provided on drug charges by New England-based officials of the Drug Enforcement Administration in September, 1978.
8. In 1976, following Congressional hearings into the intelligences community, the files pertaining to the Central Intelligence Agency's MK-ULTRA, BLUEBIRD and ARTICHOKE programs were released to the public. The FOIA documents reveal extensive details of the CIA and Army's experiments with mind control techniques including LSD. In 1977, Renee J. Roberts, the daughter of Harold Bauer who died as the result of a dosage of a hallucinogenic drug administered to him at the New York State Psychiatric Institute as part of an Army-contracted experiment, began a civil damages suit against officials responsible for failing to investigate the circumstances of her father's death. Sen. Jacob Javits is a defendant in that suit, stemming from his position as New York State Attorney General at the time of Bauer's death.
9. Interview with Keith Stroup, *Playboy Magazine*, 1978; see also issues of NORML Newsletter describing anonymous contributions.



# Epilogue

On October 18, 1978, the authors of this book met in Washington, D.C., with eight officials of the Federal Reserve Board of Governors, including Mr. John E. Ryan, director of Banking Supervision and Regulation, and Mr. Robert Mannion, director of the Board of Governors' legal department. Present were two lawyers for the Hongkong and Shanghai Bank, including the HongShang's chief legal counsel in the United States, Mr. Steuart L. Pittman. At this meeting, the authors presented evidence incriminating the HongShang in the international narcotics traffic and argued that the Federal Reserve should block HongShang's proposed acquisition of 51 percent of the shares of the \$20 billion Marine Midland Bank of New York. On October 25, a similar meeting was held with officials of the New York State Banking Authority, including New York State Deputy Superintendent of Banking William Heany.

Also, portions of the manuscript have circulated in photostat form for several weeks prior to publication through the State Department, Treasury Department, Drug Enforcement Administration, and related enforcement and regulatory agencies.

In public meetings and radio and television appearances in a dozen cities in the United States, the authors have outlined the contents of this book before a broad and diverse audience. Through these various channels, word has gotten out.

Most readers will have asked themselves the question that the authors have been asked often in the course of this report's preparation: "How will the powerful men who stand behind the narcotics traffic react to this exposure?" The answer is already evident, at least in part. On November 11, European collab-

orators of the U.S. Labor Party team conducted a public meeting in Paris to present the results of the investigation. The meeting was attacked by 20 hooded and armed members of the fascist organization, Betar. French police were on guard and prevented injuries to members of the audience, but one policeman was injured by the assault. The French authorities believe that the attack was ordered by the Mossad, Israel's foreign secret service. The Betar was founded in the 1930s by Yakob Jabotinsky, a Polish Zionist who modeled himself on Benito Mussolini, and who was the mentor of present Israeli Prime Minister Menachem Begin. Undoubtedly, the decision to launch an attack against not only the collaborators of the authors, but the French police — who know well how to deal with such matters — indicates a great fear in the perpetrators of the narcotics traffic.

What this report has intersected, however, goes far beyond the petty thuggery of the Mossad. Discreetly, officials of the HongShang warned the authors shortly after the cited meetings in Washington what would happen to the United States if they persisted: "You know, of course," an official said, "that the British government has made representations to the American authorities on behalf of the HongShang, which is after all a British bank. American banks have had pretty much a free run of it all in London, and we British rather feel that we should have the same privileges here. If the American authorities give us any trouble, the Bank of England will start exhuming skeletons from the closets of the American banks."

In fact, the British had already surfaced an undercover agent in New York's Citibank in mid-July, a junior official named David Edwards, who sued the bank for \$14 million and made numerous allegations of illegal money transfer operations. Recently, after the HongShang official made the statement quoted above, the Edwards case has taken a new turn. On November 5, Katharin Graham's Washington Post added major new expose material to Edwards's original allegations, citing its own sources inside Citibank. The authors have learned that Katharin Graham is personally directing Edwards's appearances before one Senate and three House of Representatives committees.

Coming at a time when the British banks are making a massed bid to acquire American banking assets, the inside-outside job against Citibank is ominous. Apart from the HongShang's cited plan to acquire Marine Midland, the Canadian Bank of Montreal wants to buy out 81 retail branches of New York's Bankers Trust; Standard and Chartered Bank wants to buy up the \$3 billion Union Bank of California; and buy-out attempts or branch office openings are in the works involving Barclays Bank, National Westminster Bank, Bank Leumi, Bank Hapoalim, and other financial institutions implicated in the world narcotics traffic. An invasion is on against the already weakened American monetary system, and the evidence suggests that the British dope-runners are deliberately seeking to destabilize American banks to further this invasion.

Apart from the dirty tricks operations aimed at American banks, numerous other attempts will emerge from the dope-traffickers to cushion themselves from the impact of this report. Lower-level operatives, expendable portions of the network may be sacrificed, the way that assassins like Lee Harvey Oswald or Sirhan Sirhan were sacrificed by their masters.

But the enemy cannot recoup what it has lost. The \$200 billion dope trade cannot be hidden; it can only be protected through misdirection. The web of lies now hangs in tatters. If the American public forces its legislators and law enforcement officials to act, Dope, Inc.'s defense will no longer avail. The first blood has already been drawn from a group of gentlemen who have been long accustomed to working at a distance from the combat zone. The terms of the battle have been redrawn to make an American victory possible.

Konstandinos Kalimtgis  
David Goldman  
Jeffrey Steinberg

New York City  
November 17, 1978

# **Judaeo-Masonic Cocaine Games**



**From Ancient Shylock  
Trade Routes to  
Opium Wars to  
Fake War on  
Drugs**

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## INTRODUCTION TO THE SECOND EDITION

The *Communist Manual of Instructions on Psychopolitical Warfare*<sup>1</sup>, the text of which survives in the public domain in part because it was used in underground schools such as the Eugene Debs Labor School at 113 E. Wells Street, Milwaukee, Wisconsin, in the 1930s and subsequently, contains explicit statements concerning the intended use of drugs against targeted populations for revolutionary purposes. In an address to American students attending the Lenin University prior to 1936, Lavrentii Beria, one of the most evil men ever to have lived, urged the students of 'psychopolitics'<sup>†</sup>, which Beria called 'a division of geopolitics', to study special revolutionary techniques designed 'to produce a maximum of chaos in the culture of the enemy.... **You must labour**', he urged in his remarks, which have remained in the public domain along with the *Communist Manual* text itself, '**until we have dominion over the minds and bodies of every important person in your nation**'.

Chapter 9 of the *Communist Manual* reveals that the Freudian school had *already* been hijacked by the Leninist revolutionaries. 'Vienna', it states, 'has been carefully maintained as the home of psychopolitics, since it was the home of psychoanalysis.... our activities have long since dispersed any of the gains made by Freudian groups, and *have taken over these groups*'. Now consider the following advice contained in Chapter 3 of the *Communist Manual*: 'The rich, the skilled in finance, the well informed in government are particular and individual targets for the psychopolitician.... Every rich man, every statesman, every person well informed and capable in government, must have brought to his side as a trusted confidant, a psychopolitical operator'.

The best-known recent product of the diabolical 'success' of such a psychopolitician, posing as a 'healer' – a false 'psychiatrist' ill-received among professional psychiatrists in London – is the late Princess Diana, whose mind was 'turned', deconstructed and then filled with 'garbage values' in the final years of her tragic life. Her case fits precisely with this instruction from the *Manual*:

The families of these persons ('from the top strata of society', the *Manual* explained) are often deranged from idleness... and this fact must be played upon. The normal health and wildness of a rich man's son must be twisted and perverted and... turned into criminality or insanity. This brings at once someone in "mental healing" into confidential contact with the family.... [By this means] there could be

<sup>†</sup>'Psychopolitics', as explained in the *Communist Manual*, is the (satanic) art and science of asserting and maintaining domination over the thoughts and loyalties of individuals, officers, bureaus, and masses, and the effecting of the conquest of enemy nations through subversive and instrumental 'mental healing'.

placed at the side of every rich or influential man a psychopolitical operator'.

While Beria and his successors sought primarily to attack and derange influential people and policymakers in the West, as a short cut to destabilising policy 'to embroil or upset the economic policies of the [targeted] country', they also had in mind the use of drugs *as a means of degrading society generally*. Thus 'the masses' in whose name the Communists purported to agitate were *themselves* to be the *direct* victims of a global narcotics offensive.

**The youth of society, in particular, were to be targeted – since they would in due course assume positions of influence, with their values and loyalties corroded and 'changed' to the irreversible benefit of the revolution.**

The self-evidently satanic nature of this programme should come as no surprise: after all, Marx became a satanist in his late teens<sup>2</sup>; Lenin is known to have attended at least one satanic event ('black mass') on the island of Capri; and Stalin (and of course the 'national' socialist, Hitler) were preoccupied almost exclusively with the agenda of the inhabitants of 'the bottomless pit' – death.

Thus the *Communist Manual* directed Lenin University students as follows:

**'By making readily available drugs of various kinds, by giving the teenager alcohol, by praising his wildness, by stimulating him with sex literature and advertising to him or her practices as taught at the Sexpol<sup>3</sup>, the psychopolitical operator can create the necessary attitude of chaos, idleness and worthlessness.... He can, from his position as an authority on the mind, advise all manner of destructive measures. [As an educationist] he can teach the lack of control of this child at home. He can instruct, in an optimum situation, the entire nation in how to handle children – and instruct them so that the children, given no control, given no real home, can run wildly about with no responsibility for their nation or themselves. The misalignment of the loyalty of youth to a [non-Communist] nation sets the proper stage for a realignment of their loyalties with Communism. Creating a greed for drugs, sexual misbehaviour and uncontrolled freedom and presenting this to them as a benefit... will with ease bring about our realignment [of loyalties]'.**

*The Sunday Telegraph*, of London, published a report on 5th February 1995<sup>4</sup> entitled: 'The new Switzerland: junkies, prostitutes and street killings'. The author, Patricia Morgan, revealed that 'since prostitution was legalised last December [1994], brothels have thrust themselves into the limelight, advertising their wares in graphic detail. The same may be said of the 1994 Christmas stamp, a shameless travesty of the religious season, which displayed not the Virgin and Child but a phallus surrounded by stars. A motto was stamped above the design: Stop AIDS'.

A 'traumatic collision' was 'under way between the old order and a new nihilism.... After sex, **drugs**. It is discarded syringes, not snow, that lie on the ground around Zürich Kornhaus Bridge. *Scarcely anything like the Letten district drugs scene exists anywhere*: what looks like a high security prison, patrolled by guards, is in fact the local junior school. The perimeter wire keeps out the addicts and prostitutes'. Cross the bridge into Toronto from the US side of the Canadian border, and with what is the visitor greeted? The most oppressive and disgusting display that the 'entertainment' subculture has to offer anywhere in the world.

In the United Kingdom each weekend, an estimated 1.5 million young people spend Friday or Saturday night at 'raves', high on a synthetic drug called 'ecstasy' imported illegally from Holland, the mecca of permissiveness these past two decades; many deaths from this lethal concoction have been reported, and the long-term damage being inflicted is unquantified. At gymnasiums and night-clubs, a new 'designer-drug' known as 'liquid ecstasy' was being extensively marketed in early 1999, after 'test-runs' in various parts of the country and among the homosexual communities in big cities. If this substance – gamma-hydroxybutyrate, or GHB – is mixed with alcohol, lethal effects can quickly follow. Following the death of 27-year-old Ian Hignett, who expired suddenly after ingesting this substance at some UK nightclub without knowing what he was taking, Detective Chief Inspector Colin Matthews, of Merseyside Police, told *The Daily Telegraph*<sup>5</sup> that 'people taking this liquid are dicing with death'. They are indeed, since it possesses the delightful characteristic of being liable to depress the central nervous system.

**Does the worthy Merseyside Detective Chief Inspector know that this evil substance is almost certainly a byproduct of the continuing Soviet/ Russian chemical and biological weapons programme? If not, why has MI5/MI6 not advised him of this strong probability?**

Will the intelligence contained in *Red Cocaine* come as 'news' to those, such as the admirable Colin Matthews, who labour conscientiously at the 'sharp end' of the drug scourge, and see its devastating consequences for British youth at first hand, in the course of going about their duties?

**Why has Western civilisation been degraded since the 1960s, and who is behind this phenomenon?** The answer, in brief, is that the West has been the unknowing victim, for the past several decades, of long-term Soviet-Chinese strategic intelligence operations using drugs as a means of procuring the progressive demoralisation of Western society and a concomitant degradation of the gene pool – with youth the prime target of this satanic offensive.

Communism, a form of devilish collectivist mania which, consistently with all forms of mental aberration, knows no rest – going 'round and round in circles' (hence 'revolution') – cannot succeed on its own terms. From the outset of Lenin's World Revolution, therefore, the Comintern sought 'special' (secret) ways of undermining society – using a methodology taught by Lenin and elaborated later by the founder of the Italian Communist Party, Antonio Gramsci.

Gramsci argued that 'power is best attained in developed countries through a gradual process of radicalisation of the cultural institutions – a process that would in turn transform the values and morals of the society. Gramsci believed that as society's morals were softened, so its political and economic foundation would be more easily smashed and reconstructed. [Hence it was necessary] to infiltrate autonomous institutions – schools, media, churches, public interest groups – so as to transform the culture, which determines the environment for political and economic policies'<sup>6</sup>.

*Red Cocaine*, which definitively eliminates all doubt that the global drugs scourge has been hijacked, developed and co-opted by foreign intelligence opera-



tives and has become a primary dimension of the continuing Leninist World Revolution, is a classic work which the Establishment in the United States preferred to ignore. Self-evidently, its message is applicable not just in the United States, but also throughout the West, where governments are grappling, largely blindly, with a phenomenon whose origins they do not understand.

*Red Cocaine* confirms that Lavrentii Beria's determination that narcotics should be deployed in the interests of the Revolution, has been consummated since his liquidation at the hands of his satanic masters. It further confirms that the use of drugs to degrade targeted Western societies is an integral component of what can be called 'the Gramsci dimension' of the continuing World Revolution which has engulfed the West. Interestingly, contemporary revolutionaries carefully omit this fact from their open discussions of 'the Gramsci dimension' – suggesting that they may fear **exposure** of this diabolical element of their demented activities. For instance, in a 1996 summary of the progress made in winning 'the Gramscian war of position', which he fervently supported, Michael Walzer<sup>7</sup> listed as '**positive gains**' of the contemporary revolution virtually everything except the debilitating drugs epidemic: the legalisation of abortion; the extension of environmental, safety and public health regulations; the destruction ('transformation') of family life; the acceptance of cultural pluralism; gay rights politics; affirmative action; feminism; wholesale secularisation and infiltration of the churches; and the colossally wasteful escalation of public expenditure on welfare provision (needed to address, in part, the consequences of the narcotics offensive waged covertly by the revolutionaries against society). How curious that the global drugs plague released in order to poison our children was *omitted* from that perverse list of the continuing World Revolution's hidden 'achievements'.

The appearance of this revised and updated edition of Dr Douglass's classic work happened to coincide with that of a learned book on the same subject, in which it is stated that corruption has been rampant in Russia and Eastern European countries since the collapse of the Soviet Union, making them easy marks for the marketing and money-laundering activities of the drug syndicates<sup>8</sup>.

This statement alone contains *three* diversionary themes. *First*, it implies that the 'drug syndicates' are 'stand-alone' phenomena, from which it would easily follow (as is intended) that their primary motivation is the familiar one of greed. Dr Douglass shows conclusively in *Red Cocaine* that this is the very opposite of the truth – the primary motivation being strategic (demoralisation). *Secondly*, it is implied that drugs are a **new** experience for the '**former**' USSR. But in the '**former**' Soviet Bloc, as today (under 'covert Communism'), *all* activities were and are 'licensed': for instance, the (fake) 'political parties' in Russia are splintered from the Communist Party and are supervised and controlled by it to this day<sup>9</sup>. The 'mafia' exists and operates by licence of the intelligence services, serving their agenda of 'criminalism' (the exploitation of organised crime in the interests of strategy). Under MVD General Eduard Shevardnadze's Georgian S.S.R., drugs were employed strategically for social and political engineering purposes<sup>10</sup>.

*Thirdly*, the statement obliterates the reality – which is that Soviet/Russian and Chinese intelligence are the primary originators of the drugs offensive,

since the criminalist agenda is of the *essence* of the World Revolution in its current advanced phase. Indeed, **THE FUTURE IS GLOBAL CRIMINALITY**, as Dr Douglass explains in Chapter 12. Or *it will be*, if Western policymakers remain asleep for a further decade, while the remaining Western institutions are irretrievably corrupted – as an alarmingly sizeable proportion of the international banking community has been already. Indeed, *Red Cocaine* reveals that, *from the outset* (in the 1960s), elements of the Western banking community collaborated with the Soviets and Czechs to perfect secret arrangements for laundering the proceeds of the Soviet drug offensive against the West.

Studies of the drugs scourge (however learned and well-meaning) which sidestep, obfuscate or ignore the facts revealed in *Red Cocaine* – the original edition of which, after all, has been in the public domain for a decade – add to the confusion surrounding this issue. They also do the work of the offensive intelligence organisations' disinformation apparatus, which is preoccupied with ensuring that attention remains permanently diverted away from the true 'seat of the fire'.

Unfortunately, because the West's response to this low-level warfare has been ineffective to date, the international banking system has been severely compromised, so that the corruption of the banks makes it difficult to find an adequate response. Even so, the message of *Red Cocaine* remains as relevant today as a decade ago – so that it has become more irresponsible and amoral than ever, to leave one's head buried in the sand.

In his work '*What is to be Done?*', Lenin answered his own question by prescribing the global revolution which has engulfed the world – and which proceeds towards its objective of World Control while, as his lieutenant Dimitri Manuilski predicted, 'the bourgeoisie sleeps'. Dr Douglass answers Lenin's question with the only effective response possible: **exposure**. For this is the **one** response the political perpetrators of the global drug offensive cannot stomach. ■

CHRISTOPHER STORY, London, January 1999.

### References:

1. *Communist Manual of Instructions on Psychopolitical Warfare*, with an address by Lavrentii Beria, Stalin's Interior Ministry Chief, to American students at the Lenin University, cited in '*Brainwashing, A Synthesis of the Russian Textbook on Psychopolitics*', Kenneth Goff, a Communist who attended lectures based on the *Communist Manual* between May 2nd, 1936 and October 10th, 1939.
2. See '*Was Marx a Satanist?*' Rev. Richard Wurmbrand, Diane Books Publishing Co., Glendale, CA, 1976-77.
3. The Sexpol, a Leninist School of Sexual Politics, from which contemporary feminism and other Gramscian aberrations are derived. That feminism (a means of dividing the sexes), like the drug offensive, is an instrument of the revolution, was confirmed by the radical reformist Betty Friedan in her book '*The Second Stage*' [Summit Books, 1981], summarised by Ellen Willis in *The Nation*, USA, 14th November 1981, pages 494-495:  
'Feminism is not just an issue or group of issues; it is the **cutting edge of a revolution in cultural and moral values...**  
**The objective** result of every feminist reform, from legal abortion... to child-care programs, is to **undermine traditional family values and increase women's personal and sexual freedom**'.
4. Patricia Morgan, *The Sunday Telegraph*, 5th February 1995.
5. 'Mother's plea as son is killed by new 'party drug'. Nigel Bunyan, *The Daily Telegraph*, London, January 14, 1999, page 13.
6. Antonio Gramsci's *Selections from the Prison Notebooks*, ed. Q. Hoare and G. Nowell Smith (London, 1971), cited by Dr S. Stephen Powell, *Covert Cadre*, Green Hill Publishing, Ottawa, IL, 1987, pages 160, 359-360.
7. *What's Going On?* [cf. Lenin's '*What is To be Done?*'] by Michael Walzer, *Dissent*, Winter 1996, New York, pages 6-7.
8. *Hard Target: the United States' War Against International Drug Trafficking, 1982-1997*, Ron Chepesiuk, McFarland & Company, Inc., Jefferson, NC, 1999.
9. See Footnote, page 180, for details of the documentary basis for this statement.
10. See James A Inciardi, 'Drug Abuse in the Georgian S.S.R.', *Journal of Psycho-Active Drugs*, October-December 1987.

## WHAT THEY SAID ABOUT RED COCAINE

‘A powerful and well-documented case of a deliberate policy decision, first by the authorities in Beijing and then in Moscow, to contribute to the decay of American society.... *Red Cocaine* puts the facts on record. We ignore the message it reveals at our own peril’.

**DR RAY S. CLINE**, former Deputy Director for Intelligence, CIA.

‘*Red Cocaine* at last blows the lid off the most explosive aspect of drug trafficking, the Soviet connection. Here is the shocking story of the drugging of America by international Communism’.

**ROBIN MOORE**, Author of *The French Connection*.

‘This eye-opening book proves the insidious involvement of the Soviet intelligence services in the deliberate spread of the drug menace in the United States’.

**CHAPMAN PINCHER**, Author of *Secret Offensive* etc.

‘*Red Cocaine* is a seminal work which is essential reading for all serious students of the continuing Leninist World Revolution today (1999). A *sine qua non* for understanding why Western civilisation is under such relentless and ruthless attack is to be aware of the history of the long-term drug offensive against the West by Russian and Chinese intelligence, as a key element of the ongoing assault on the structures and institutions of society in order to ‘change loyalties’ irrevocably for revolutionary purposes’.

**CHRISTOPHER STORY**, Editor and Publisher, *Soviet Analyst*, 1999.

## WHAT THEY SAID ABOUT COCAINE

‘We will disarm the capitalists with the things they like to taste’.

**CHOU EN-LAI**, 1958

‘Deception and drugs are our first two strategic echelons in the war...’.

**NIKITA KHRUSHCHEV**, 1963

‘I was ordered to load up the United States with drugs’.

**MARIO ESTEVEZ GONZALEZ**, Cuban Intelligence agent, 1981.

‘Drugs are used as political weapons. The target was the youth...’.

**ANTONIO FARACH**, high-level Nicaraguan official, 1984.

‘Drugs are considered to be the best way to destroy the United States. By undermining the will of American youth, the enemy is destroyed without firing one bullet’.

**MAJOR JUAN RODRIGUEZ**, Cuban intelligence officer, citing and invoking Antonio Gramsci, Lavrentii Beria and Sun-Tzu in a single sentence, 1988. [Sun-Tzu: the ancient Chinese military deception strategist].

‘Opium should be regarded as a powerful weapon. It has been employed by imperialists against us, and now we should use it against them’.

[Fact: Mao Tse-Tung deployed drugs against Chinese populations – Ed.].

# OBSERVATIONS ON THE LATE GENERAL JAN SEJNA BY THE U.S. DEFENSE INTELLIGENCE AGENCY [DIA]

◀ \*... Source has provided reliable information to the US Government for over 20 years \*. **DIA [POW/MIA]**, 18th April 1992.

\* ... Source has provided reliable information to the US intelligence community for many years .... Source did submit to a polygraph examination during which no deception was detected \*. **LT. GENERAL CLAPPER**, Director, Defense Intelligence Agency, 27th April 1992.

\* ... has made significant contribution to Defense Intelligence [DI] products addressing various aspects of the political/military affairs of the former Soviet Union and Warsaw Pact [and] provided substantive support to allied intelligence services .... Proven track record as a Defense Intelligence Agency substantive expert... record of excellence in substantive support to Defense Intelligence \*. **DAVE SISSON**, Senior Analyst, Defense Intelligence Agency, November 5, 1992, Inter-office letter to Alan Young.

## ABOUT THE SECOND EDITION

Where the context allows, no attempt has been made to amend the dates, timeframe and thus, the tenses, used in the text. However wherever the Editor felt that the interests of clarity would be served, tenses *have* been amended. *Red Cocaine* first appeared in 1990, and the text reflects this context. The situation is now *far worse* than described in the book, and nothing in *Red Cocaine* has become irrelevant in the intervening years. The reader will find it helpful to bear in mind, though, that there has been *no discontinuity* since the events of 1989-91, when the world imagined that the 'Cold War' had ended. Rather, the Leninist revolutionaries have been working, to cite Lenin, 'by other means'. ■

## NOTE ON THE USE OF BRITISH ENGLISH

In conformity with the publisher's usual practice, spelling and the structure of sentences has been converted to British English, except of course where the context dictates otherwise. The first edition of *Red Cocaine* was written, naturally, in American English. It is the policy of Edward Harle Limited to use British English, as a general rule. In 'translation', the Author's meaning and intentions have been followed throughout. Exceptions to the use of British English forms here include the retention of the American format for dates (e.g., January 1, 2000), and of course the use of American spelling in quotations or wherever else the context so demands. There are also certain difficulties with words like 'program', for which the American usage has been retained in most contexts. ■

## WARNING

This book has been known to generate strong emotional responses. *Red Cocaine* is a case study of evil: of the governments and people responsible for flooding the United States with drugs; of American public officials who have suppressed intelligence and looked the other way to favour 'special interests' and also to advance secret political agendas.

The information presented in *Red Cocaine* explains why the so-called war on drugs in the United States has been so ineffective. It challenges the erroneous belief that the drug problem is 'home-grown', the result of America's otherwise unexplained 'thirst' for drugs. This erroneous belief, carefully nurtured by politicians and drug traffickers, stands between America and the waging of an effective war on drugs for a very simple reason: a nation simply cannot wage war on its own people. This belief that *Americans themselves are the cause* is used by public officials to justify their poor results – and doing nothing about the nefarious activities of governments, politicians, intelligence services and the banks.

*Red Cocaine* was written to explode this belief, to expose *the real forces* behind the illegal drug trade, and to reveal the political protection that enables drug trafficking to survive and grow. Nothing has emerged since this book was published nearly a decade ago to contradict any of the information contained herein. On the contrary, the evidence is even more overwhelming that the analysis cannot be refuted. Indeed, it is highly significant that *no refutation has been attempted* – for the obvious reason that none is possible.

Although *Red Cocaine* primarily addresses the drugs offensive directed by Soviet and Chinese intelligence against the United States, *all* Western countries are targeted, as part of the World Revolution's relentless, manic struggle to remodel the world according to what is clearly a diabolical model. In order for the drug scourge to be addressed constructively in *any* country, the information contained in *Red Cocaine* should be absorbed first.

One purpose of republishing and updating *Red Cocaine*, therefore, is to make the work readily available to the concerned general reader, and to professionals and policy-makers not only in the United States – where demand for the book has remained intact over the years – but also in key targeted countries around the world. Furthermore, the publisher pledges that this classic book will *remain* in print – since the central mission of Edward Harle Limited is to ensure the continuing availability of works which will assist all those who have to struggle against the Leninist World Revolution being waged against us in its new, more insidious and 'invisible' manifestations. ■

## PREFACE

At dawn on July 14, 1989, Cuba's General Arnaldo Ochoa Sanchez was executed by firing squad, along with three other Cuban officers. Ochoa was one of Cuba's most popular Army officers. A recipient of the Hero of the Republic medal, his career dated back 31 years to the revolution, when he was a member of the famed Camilo Cienfuegos brigade. More recently, he had commanded the Cuban forces in Ethiopia, the Cuban advisory group in Nicaragua, and the 50,000 Cuban troops in Angola.

General Ochoa was found guilty of helping Colombia's Medellín drug cartel smuggle cocaine into the United States. His trial, which was conducted in secret, began on Sunday, June 26, 1989. The star witness was General Raúl Castro, the Minister of Defence and Fidel Castro's brother, deputy, and expected successor. Raúl Castro denounced Ochoa and called for exemplary punishment. All members of the military tribunal also denounced General Ochoa. The military prosecutor, General Juan Escalona, said in his conclusion that General Ochoa 'betrayed his people, his fatherland and Fidel... and cast a slur on the prestige and credibility of the revolution'.

The trial and sentencing were conducted with despatch. Along with Ochoa, thirteen other officers were charged. Four, including Ochoa, were sentenced to death, the rest receiving long prison terms. No one offered any defence. All of the accused pleaded guilty. At one point, as reported by the Cuban News Ministry, Ochoa answered 'No' when asked if Raúl Castro had known of his activity. But, no less than a dozen defectors from Cuban intelligence and its Ministry of Interior, which is responsible for internal security, as well as from Nicaraguan intelligence and its Ministry of Interior, diplomats from Nicaragua, and assorted drug traffickers, have stated unequivocally that both Fidel and Raúl Castro knew about Cuba's involvement in drug trafficking, approved it, and profited from it. Which is the true story? Was Fidel involved or not?

Luís Carlos Galán was a Colombian Presidential candidate. He was a prominent senator who had campaigned against the drug lords. It bought him a casket.

On August 18, 1989, he was shot down by assassins believed to be working for the drug cartels. His murder followed similar slayings of four other officials who were acting against the interests of the drug lords – one, two days earlier, and three only a few hours before Galán's murder. In response, President Virgilio Barco ordered the arrest of all suspects. Overnight, 11,000 people believed to have been connected to the drug cartels were arrested. None of the top drug dealers were among those apprehended, and most of those arrested were released within a day or two.

## RED COCAINE

Immediately following the mass arrests announced in Bogotá, President Bush announced a \$65 million military equipment-assistance program for Colombia. More was to be included in the forthcoming drug strategy program, not only for Colombia, but for other beleaguered nations such as Peru, Bolivia and Mexico. However, a former Bogotá City Council member, Clara Lopez Obregón, raised a serious issue concerning the utility of such assistance: 'You can't enforce the law if within the law enforcement agencies you have people from the other side'.

As an indication of the scale of the problem here, when Cuba and Czechoslovakia first established drug operations in Colombia in the early 1960s, all recruited personnel were first subjected to intense background security investigations. One was performed by the Communist Party of Colombia and the other by a Communist agent who was a high official in Colombia's Ministry of Interior.

Are those in the United States who are responsible for planning military assistance for Colombia aware of such complications? How do they assess the threat in Colombia?

Following the mass arrests in Colombia, there were a series of bombings, as the government and the cartels declared war on each other. The very next week, more than 500 people were arrested for violating a curfew that had been imposed in Medellín, home of the infamous Medellín drug cartel. Among those arrested were 27 Cubans carrying forged Costa Rican passports. What were they doing there? Clearly, they could not, by any stretch of the imagination, have been tourists or businessmen.

Several defectors had previously reported strong ties between Cuba and the cartels. The principal go-between was said to be Cuban Ambassador Fernando Ravelo Renedo, who works for Manuel Pineiro Losada, head of the Cuban Communists' 'Americas Department', which has special responsibility for sabotage and subversion throughout the Western hemisphere. Pineiro was previously the head of Cuban intelligence. Cuba is also the main sponsor of Colombia's M-19 guerrilla revolutionaries and the military/terrorist arm of Colombia's Communist Party, the Revolutionary Armed Forces of Colombia (FARC), both of which are also heavily involved in narcotics production and trafficking.

In late 1985, an almost unknown form of cocaine, 'crack', was introduced to the US market – just in time for the Christmas holidays. By mid-January, it was reported in eight States; by June 1986, it had spread across the nation and had become recognised as a severe challenge.

By 1989, the use of crack had become epidemic. It is now believed to be the main cause of drug use increase in recent years, the main cause of escalating crime and violence in American cities, and the main cause of escalating child abuse, hospital emergency room overload, and babies born with addiction and learning disabilities.

The US Drug Enforcement Administration published a study on crack entitled *Crack Cocaine Overview 1989*. A similar report had been published in 1988. Both reports concluded: 'Large-scale, interstate trafficking networks controlled by Jamaicans, Haitians and Black street gangs dominate the manufacture and distribution of crack'. Their primary targets are also identified: the inner-city minorities, mainly Black people and Hispanics, although crack is also making its way into rural and suburban areas. The principal suppliers mentioned in the study are two: Cubans and Colombians. A US Justice Department study revealed, also in 1989, that women are now as likely to be hard-core drug users as men. Another study showed that AIDS cases among drug addicts were expected to sur-

pass those among homosexuals within one or two years. The focus of the AIDS epidemic is shifting to the poor, drug-ridden urban neighbourhoods. More than 40 percent of reported AIDS cases have occurred among Black people and Hispanics, although these two groups only constitute about 20 percent of the US population. Again, the responsible drug is crack.

The speed with which crack has spread, its focused distribution, and its sales price and marketing, which is designed to capture the young and ignorant with only a few dollars to spend, all suggest a trained professional organisation. William Bennett, the director of the Office of National Drug Control Policy, referred to this phenomenon as 'an *innovation* in cocaine retailing'. Where did the crack come from? Is what we are seeing the result of a planned operation? If so, who is responsible?

In 1988, ABC-TV presented a moving account of the drug scourge entitled '*Drugs: A Plague Upon the Land*', narrated by Peter Jennings. Jennings concluded the news special with a thought-provoking observation:

'If this is a war on drugs – and everyone from the President on down calls it that – shouldn't it be fought like a war?'

'If we could prove that the drug problem in the United States was directed by Communist power, what do you think would happen then? Wouldn't the government be mobilised? Wouldn't the best minds in the country be enlisted to plan strategy? There'd certainly be no limit to the amount of money available to fight the war. Every institution in the country would be involved. No one would say, "It doesn't affect me"'.<sup>1</sup>

Clearly, Jennings was not suggesting that there was a Communist power behind the drug trade. He was only using the example to raise an important question: namely, why was the United States not fighting a serious war on drugs? Nevertheless, in using this example, Jennings had indirectly raised what might be an even more serious question: namely, that if there were a Communist power behind the drug trade – the Soviet Union, for example – who would believe it?

My anxieties concerning the origins of drug trafficking date back to 1984, when I read an article that described the linkages between the trafficking and revolutionary terrorists in Latin America. The author described the manner in which Cuba assisted the smugglers to move drugs into the United States and, as part of the same operation, provided arms to terrorists and revolutionaries. Evidence on this activity had been collected by the US Attorney's office in Miami and had resulted in the indictment of four high-level Cuban officials by a Federal grand jury in November 1982.

But the story seemed incomplete to me. Court testimony linked the trafficking operation to Cuba's intelligence service, the *Dirección General de Inteligencia*, or DGI, and to the top Cuban leadership, Fidel and Raúl Castro.

But, I wondered, how could Cuba, and especially the DGI, be involved, if the Soviet Union were not behind the operation? The DGI had been under the direct control of Soviet intelligence since the late 1960s. Thus, it seemed extremely unlikely for a DGI operation of this significance to have been conducted without Soviet approval and direction.

As I delved more deeply into the subject, it became apparent that Cuba was not an isolated example. There was also extensive data linking the People's Republic of China to



international drug trafficking. Additionally, there was evidence that Nicaragua, Bulgaria, Hungary, [the former] East Germany and North Korea were also involved in trafficking as a matter of official state policy. But, while it seemed inconceivable that these countries could be involved without the Soviet Union also being involved, I still had no direct data on Soviet involvement.

All this was to change radically one day in 1985 when I was having lunch with Jan Sejna, a former high-level Czechoslovak military-political official who had defected to the United States in 1968. General Sejna remains, to my knowledge, the highest positioned Soviet Bloc official ever to seek political asylum in the West, and the only such official who was actually a member of the decision-making hierarchy. It was during the luncheon conversation that I first asked General Sejna if he had any direct knowledge of Soviet involvement in international narcotics trafficking. For the next hour or two, he provided extensive details on Soviet narcotics trafficking operations, including their use of satellite countries, the dates of the key decisions, and most importantly, the basic Soviet strategy.

The information was alarming. Clearly, Sejna's knowledge was of extreme importance, or so I thought. I also suspected that none of the US agencies involved in fighting the drug trade was aware of this information, which turned out to be correct. It was clear to me that Sejna's knowledge was so extensive that a thorough debriefing would require a substantial effort and considerable time. I went to work soliciting support for the task. In the process, my excitement turned to dismay as I began to recognise that none of the US agencies with responsibilities in the drug war were interested in obtaining Sejna's knowledge.

In retrospect, this should have come as no surprise. I have had the unique opportunity to work with General Sejna over the past ten years. This was not the first time that I had encountered a disinterest within the US Government on subjects of strategic importance where Sejna had extensive expertise. Strategic deception; the Soviet long-range plan; Soviet political and military strategy; coordinated Soviet Bloc intelligence operations; Soviet decision making; Soviet Bloc training of international terrorists; and, Soviet Bloc intelligence penetration of organised crime, are just a few examples.

It is quite clear that the national security and policy communities do not like what Sejna has to say, and hence do not pursue his knowledge. *Why* is more difficult to explain. The problem is not credibility. Sejna's testimony has been confirmed over and over again. It is consistent with his background and with other sensitive information. Sejna is acknowledged to be an excellent source at the highest levels in the intelligence community. No, the problem is not one of evaluating and then rejecting data; it is one of not wanting to know in the first place.

In a very real sense, the problem is similar to the challenge faced by government officials when informed that an entire region in the Soviet Union was being systematically starved to death; or, that a régime with which government and business leaders were consorting had just killed 60 million of its own citizens; or, that our partner in *détente* was systematically violating each of the new arms control treaties while destabilising numerous independent governments around the globe, also in direct violation of numerous treaties, international agreements, and personal assurances. no-one wants to hear the news.

But the news is important and needs to be broadcast, because the possible consequences are so serious. How is it possible to fight an effective war on drugs if the accepted image of that war is deficient, or if the primary forces and players are not recognised? The logical answer is that it is not possible.

How then is it possible to bring about a change? This is a question which everyone

who is concerned about the drug crisis is bound to consider and take seriously.

In examining the problems associated with drug trafficking, my personal concern is that the situation is far more serious than any of us realise precisely *because* of the political warfare that is being waged; the extensive Communist involvement; the deliberately planned undermining of the health of our youth and our system of values; the corruption prevalent within circles of power and influence; the breakdown in law and order (at home as well as abroad) and associated deliberate political destabilisation; the power of experimental drugs that have not yet been introduced to the marketplace; and the misguided, self-imposed policies and private interests that prevent us from understanding the true nature of what is happening. These 'missing factors' are the focus of this book. The situation is especially serious *because* of these factors, and because they are not part of the 'accepted image'. Nor is this likely to change unless and until people demand a change.

While there has been a great temptation for me to expand this study and to delve into many related and parallel dimensions of Soviet intelligence strategy directed against the United States, our friends and allies, I decided to focus strictly on the drug-trafficking dimension in order to keep the message as simple as possible. Only material believed sufficient to present a credible case focused on the Latin American-United States drug-trafficking situation is included. No attempt has been made to include complementary details on Chinese or Soviet Bloc drug-related intelligence and political influence operations in Africa, Europe, the Middle East, South Asia, Australia, the Far East, or Southeast Asia, except for operations during the Vietnam War, which is discussed in Chapter 6. However Chapter 12 is entirely new, having been completed in December 1998.

It is hoped that the material presented here, which raises serious cause for concern that the drug challenge is not as simple as many authorities would have us believe, may stimulate interest in directing the appropriate agencies to collect and assemble all pertinent data. From my perspective, this is the first step to waging an effective war on drugs: develop a thorough understanding of what is happening and *who* is involved.

**Without such understanding, how can an effective counter-strategy ever be developed and implemented? And without it, how can Western civilisation be preserved? ■**

JOSEPH D. DOUGLASS, JR  
Falls Church, Virginia

growth of the vast narcotics empire. In that sense alone, what Jan Sejna has to tell us in the pages of this book turns out to be of vital concern to all of us.

The drug problem has become a national disgrace and a significant threat to our national security, as well as to the well-being of our free society. It is also a threat to the security of our friends and allies, to the health and welfare of the nations struggling to become free and self-reliant in the family of modern nations. It is time to open our eyes to all facets of the drug-trafficking problem.

*Red Cocaine* puts the facts on the record.

**We ignore the message it reveals at our own peril. ■**

**Dr RAY S. CLINE**

*Chairman, United States Global  
Strategy Council, and former  
Deputy Director for Intelligence,  
Central Intelligence Agency.*

# THE CHINESE DRUG OFFENSIVE

In 1928 Mao Tse-tung, the Chinese Communist leader, instructed one of his trusted subordinates, Tan Chen-lin, to begin cultivating opium on a grand scale<sup>1</sup>. Mao had two objectives: obtaining exchange for needed supplies and 'drugging the white region'<sup>2</sup> where 'white' was an ideological, not racist, term that Mao used to refer to his non-Communist opposition. Mao's strategy was simple; use drugs to soften a target area. Then, after a captured region had been secured, outlaw the use of all narcotics and impose strict controls to ensure that the poppies remained exclusively an instrument of the state for use against its enemies.

Later, Mao would speak of using opium against the imperialists as only a modern phase in the opium wars that began in the 19th century. Opium was a powerful weapon that had been used by the imperialists against the Chinese and should be used against them in a second Opium War'. It was, Mao explained to Wang Chen in a lecture on his plan for planting opium, 'chemical warfare by indigenous methods'<sup>3</sup>. However, the fact that opium had previously been used against the Chinese was only a convenient excuse, not the real reason. Mao first began using opium as a political weapon against his own people, the Chinese, during his drive to establish Communism throughout China. His use of opium expanded simply because it proved to be a very effective weapon.

As soon as Mao had totally secured mainland China in 1949, opium production was nationalised and trafficking of narcotics, targeted against non-Communist states, became a formal activity of the new Communist state, the People's Republic of China.

The Chinese trafficking operation expanded rapidly. Official targets were Japan, the United States military forces in the Far East, neighbouring countries throughout the Far East, and the United States mainland. The primary organisations involved in the early 1950s were the Chinese Foreign Ministry, the Trade Ministry, and the Intelligence Service. North Korea was also trafficking narcotics<sup>4</sup> in cooperation with China at this time, and was directly connected with the flow of drugs into Japan and into the US military bases in the Far East<sup>5</sup>.

The domestic narcotics problem in Japan had become serious by 1949<sup>6</sup>. The Criminal Investigation Division of the American Armed Forces in Japan, together with the Japanese authorities, began constructing a net across the whole of Japan to determine how the drugs were coming into the country<sup>7</sup>. By 1951, the Japanese had officially identified narcotics illegally entering their country and the sources of the trafficking – which

were the Chinese and North Korean Communists. This trafficking was not limited to opium and heroin, but included hashish, marijuana, cocaine and dangerous synthetic stimulants such as hiropon and aminobutene group drugs<sup>8</sup>. These particular synthetics were especially dangerous and assessed to have been responsible for serious health problems which first appeared in Japan in the early 1950s.

The United States' experience was similar to that of Japan. New trafficking was first identified in the late 1940s. US narcotics and customs agents set up nets to identify the new sources and in 1951 began seizing large quantities of heroin at such major US ports as New York, San Francisco and Seattle<sup>9</sup>. The heroin was determined to have been manufactured in China and the trafficking managed by the Chinese.

In concert with the emergence of Chinese international narcotics trafficking in 1949-52, China's opium production increased steadily and reached a plateau of 2,000 to 3,000 tons per year. This production held steady until 1958-64, when production increased to roughly 8,000 tons as part of the 'great leap forward'<sup>10</sup>. The dates of these increases are important. As will be discussed in Chapter 11, in examining narcotics usage in the United States, there are two abrupt changes in the growth pattern that stand out. The use of narcotics in the United States declined during the 1930s and 1940s. Then beginning in 1949-52, an abrupt upswing took place simultaneously with the launching of China's narcotics trafficking operation. After 1952, narcotics consumption levelled off. Then, in the late 1950s to early 1960s, a second major upswing began. This second abrupt change in the growth pattern coincides almost precisely with a second expansion in the Chinese narcotics operation and with the entry of the Soviet Union into narcotics trafficking, as will be described later. This correlation is one of the indications that the growth in drug-trafficking and drug use within the United States and elsewhere is not a simple natural evolutionary process, or a phenomenon dominated by 'user demand'. Rather, there are strong *sub-rosa* forces at work stimulating and extending the consumption.

In the case of Chinese trafficking, there is no question that it was an official state activity. Data on the Chinese and North Korean trafficking enterprises were obtained by the Japanese internal security, US Army Intelligence, the US Narcotics Bureau operating with the assistance of undercover Treasury agents, and by CIA covert assets in China<sup>11</sup>. The data clearly identified production sources, manufacturing and packaging facilities, trafficking networks, and even management organisations<sup>12</sup>. As will be discussed later, the Chinese narcotics operation was also penetrated and watched by both Soviet intelligence and Czechoslovak intelligence, as were certain Chinese narcotics operations conducted jointly with the Communists in Korea, Vietnam and Japan.

China's narcotics operations also have been described by several Chinese officials who later left China and were granted political asylum in other countries. One such official who left in the late 1950s described a secret meeting of state officials in 1952, when the Chinese operation was reorganised, and a 20-year plan adopted<sup>13</sup>. At this meeting, decisions were made to standardise grades of narcotics, establish promotion regulations, set pricing schedules designed to encourage aggressive marketing, despatch sales representatives, expand research and production, and reorganise management responsibilities<sup>14</sup>. This information is also confirmed by data collected by Soviet and Czechoslovak intelligence agents, as will be discussed in greater detail in Chapters 4 and 6.

The organisation behind the Chinese narcotics operations was extensive and involved many ministries and agencies from the national down to the local levels. These organisations oversaw the reclamation of lands for production (Ministry of Forestry and

Reclamation); cultivation and research to produce better varieties of poppies (Ministry of Agriculture); development of opiates (Committee for the Review of Austerity); management of storage and preparation for export (Ministry of Commerce); management of external trade organisations (Ministry of Foreign Trade); statistical control and programming (Central Government Production Board); finance (Ministry of Finance); marketing through special representatives and political intrigue (Ministry of Foreign Affairs); and security and covert operations (Ministry of Public Security)<sup>15</sup>.

The trafficking tradecraft included classical smuggling; transportation by shipping companies (both knowingly and unknowingly); use of Communists and ethnic Chinese abroad; collaboration with international organised crime syndicates; use of foreign posts of mainland parent entities; abuse of diplomatic privilege; use of normal branded merchandise as a cover; transport by mail; and forgery or packaging with misleading trademarks<sup>16</sup>. As will be seen later, Soviet drugs strategy and tactics employ quite similar techniques, organisation and management, targets, and motivations – albeit in the Soviet Leninist style, and on a greatly magnified scale.

Throughout the 1950s and 1960s, probably the most important official exercising day-to-day control over China's narcotics operations was Chou En-lai. As the chief Soviet ideologist, Mikhail A. Suslov, explained during a major speech on China at a meeting of the Soviet Central Committee in February 1964, Chou En-lai's strategy was 'to disarm the capitalists with the things they like to taste [meaning drugs]'<sup>17</sup>.

Professor J. H. Turnbull was head of the Department of Applied Chemistry at the Royal Military College of Science, Shrivenham, United Kingdom, and an expert on narcotics trafficking and its strategic implications. In 1972, following the publicity focused on the massive use of narcotics against US soldiers in Southeast Asia (see Chapter 6), Turnbull prepared a succinct summary of Chinese narcotics trafficking strategy. Chinese trafficking, he wrote, was 'directed broadly at the major industrial sectors of the Free World. In purely commercial terms these offer obvious targets, since they provide both large [and] affluent markets...'<sup>18</sup>. These leading industrial sectors were particularly vulnerable due to the open nature of the underlying society.

The production and distribution of drugs, Turnbull emphasised, was 'a valuable source of national income, and a powerful weapon of subversion'<sup>19</sup>. He then identified three basic objectives of Chinese subversive activities employing drugs: 'To finance subversive activities abroad; to corrupt and weaken the people of the Free World; and to destroy the morale of US servicemen fighting in Southeast Asia'<sup>20</sup>.

Turnbull's conclusion was almost identical to that reached twenty years earlier by the US Commissioner of Narcotics, Harry Anslinger. It is equally relevant today. 'The covert dissemination of opium narcotics, in particular the addictive drug heroin, for commercial and subversive purposes, represents one of the gravest threats to the armed services and societies of the Free World. The subversive operation must be recognised as a peculiar form of clandestine chemical warfare, in which the victim voluntarily exposes himself to chemical attack'<sup>21</sup>. ■

### References to Chapter 1:

1. Chang Tse-min, *A Follow-Up Report on Chinese Communist Crimes in Drugging the World* (Taipei: World Anti-Communist League, 1979), page 1.
2. *Ibid.*, page 1; and A. H. Stanton Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West* (New Rochelle, New York: Arlington House, 1973), page 73.
3. 'A Look at the Chinese Communist 'Strategy of Narcotic'', unpublished paper by Maj. Gen. (Ret.).

Sing-yu Chu, Society for Strategic Studies, Taipei. Cited in *The Inside Story of Red China's Opium Sales* (Taiwan: Hsueh Hai Press, May 1957).

4. Before and during the Korean War, North Korea was closely connected to Communist China. However, after the war, relations with China soured and North Korea became more closely aligned with the Soviet Union. North Korea provided Soviet intelligence with considerable data on the Chinese drug business.

5. See testimony of a Bureau of Narcotics, Treasury Department undercover agent in US Congress, Senate, *Communist China and Illicit Narcotics Traffic*, Hearings Before the Subcommittee to Investigate the Administration of the Internal Security Act and other Internal Security Laws of the Committee on the Judiciary, March 8, 18-19, and May 13, 1955 (Washington, D.C.: US Government Printing Office, 1955), pages 14-17.

6. J. H. Turnbull, *Chinese Opium Narcotics: A Threat to the Survival of the West* (Richmond, Surrey, England: Foreign Affairs Publishing Company, 1972), page 12.

7. See Harry J. Anslinger and William F. Tompkins, *The Traffic in Narcotics* (New York: Funk & Wagnalls Company, 1953), pages 70-116, and Gerd Hamburger, *The Peking Bomb* (Washington: Robert B. Luce, Inc., 1975), page 54. See also Richard Deacon, *The Chinese Secret Service* (New York: Ballantine Books, 1974), pages 449-450.

8. US Congress, Senate, *Communist China and Illicit Narcotics Traffic*, Hearings Before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary, March 8, 18, 1955, May 13, 1955, and March 19, 1955 (Washington, D.C.: Government Printing Office; 1955), pages 34-91.

9. Victor Lasky, 'Red China's Secret Weapon', in Extension of Remarks of Hon. Norris Poulson, US Congress, House, *Congressional Record - Appendix* (Washington, D.C.: US Government Printing Office, April 23, 1953), page A2176.

10. See Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, pages 108-118; Hamburger, *The Peking Bomb*, *op. cit.*, page 235; and *Communist China and Illicit Narcotics Traffic*, *op. cit.*, page 16.

11. Deacon, *The Chinese Secret Service*, *op. cit.*, page 447, reports using as many as 37 separate reports from 26 individuals whom Deacon believed had interviewed as many as 50 to 60 defectors, police officers, secret agents, drug squad officers, and intelligence officers.

12. For extensive details and maps of production areas and trafficking routes, see *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, *The Peking Bomb*, *op. cit.*, and various reports to the United Nations filed by the US Commissioner on Narcotics, Harry Anslinger.

13. Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, page 195; and Hamburger, *The Peking Bomb*, *op. cit.*, page 59.

14. *Tokyo Shinbun*, January 8, 1953, cited in Richard L. G. Deverall, *Mao Tse-tung: Stop This Dirty Opium Business!* (Tokyo: Toyoh Printing and Bookbinding Co., 1954), pages 64-66. See also Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, pages 195-197, 454-455.

15. Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, page 214.

16. *Ibid.*, pages 215-216.

17. Interview with Jan Sejna who was present when Suslov discussed China's narcotics trafficking in detail. This data had been derived from Soviet intelligence.

18. Turnbull, *Chinese Opium Narcotics*, *op. cit.*, page 15.

19. *Ibid.*, page 15.

20. *Ibid.*

21. *Ibid.*, page 16.

# THE SOVIETS DECIDE TO 'COMPETE'

When China began waging war with narcotics and drugs in the late 1940s, its drugs strategy was quickly identified. Shipments of drugs were seized and intelligence was collected which identified the source as the People's Republic of China, together with its trafficking routes, techniques, and eventually even the principal organisations behind production and distribution. In the case of the Soviet Union, intelligence on the operation was not immediately available, perhaps attesting to the care exercised by the Soviets in developing secure, covert marketing techniques before Moscow's own offensive was launched. As will be seen, the Soviet offensive was designed to be far more extensive than the Chinese operation, and once in place, was intensified on almost a yearly basis.

While the dubious distinction of initiating large-scale political war with drugs goes to the Chinese, it is the Soviets who have made trafficking the effective political warfare and intelligence weapon it has become – accomplishing this almost without any recognition in the West of Soviet involvement. Not until 1968 did a source surface in the West who possessed detailed knowledge about the Soviet drug offensive. Not until 1986 was any attention directed to his knowledge. The story that follows is the first comprehensive unveiling of that source's detailed knowledge of Soviet narcotics warfare.

The source in question is Jan Sejna, who defected from Czechoslovakia to the United States in February 1968<sup>1</sup>. General Major Sejna was a member of the Central Committee, the National Assembly, and the Presidium and its Party group. He was also a member of the Main Political Administration, its political bureau, and a member of the Administrative Organs Department<sup>2</sup>. He was First Secretary of the Party at the Ministry of Defence, where he was also Chief of Staff and a member of the Minister's *Kolegium*. His most important position was Secretary of the powerful Defence Council, which was the top decision-making body in matters of defence, intelligence, foreign policy and the economy. Sejna was a top-level, decision-making Party official. He regularly met the highest officials in the Soviet Union and other Communist countries. He was present during the inception, planning and implementation of Soviet narcotics trafficking operations.

The Soviet concept of using drugs and narcotics trafficking as a strategic operation, Sejna explains, emerged during the Korean War. During that conflict, the Chinese and North Koreans used drugs against US military forces to undermine the effectiveness of both officers and enlisted men and to raise revenues in the process<sup>3</sup>. The Soviets were also



assisting North Korea in the war, albeit not in so obvious a manner as the Chinese.

The war provided the Soviets with an opportunity to study the effectiveness of US forces and equipment. Czechoslovak intelligence assisted the Soviets. As part of this intelligence mission, Czechoslovakia constructed a hospital in North Korea. Ostensibly built to treat casualties, the real use of the hospital was as a research facility in which Czechoslovak, Soviet and North Korean doctors at the hospital experimented on US and South Korean prisoners of war. The Czechoslovak official in charge of the Czechoslovak operations in North Korea was Colonel Rudolf Bobka, of *Zpravodajská správa* (Zs), the Military Intelligence Administration of the Czechoslovak General Staff. Colonel Professor Dr Dufek, a heart specialist, was in charge of the hospital. Sejna learned about the hospital and related activities directly from Colonel Bobka, from various reports, and from subsequent briefings that summarised the results of the experiments and used the results in studies of the strategic military potential of drug-trafficking<sup>4</sup>.

The experiments were justified as preparations for the next war. American and South Korean POWs were used as guinea pigs in chemical and biological warfare experiments, in physiological and psychological endurance tests, and in testing the effectiveness of various mind-control drugs, which were used to make US servicemen renounce America and speak of the benefits of the Communist system<sup>5</sup>.

To learn more about the biological and chemical make-up of American and South Korean soldiers, autopsies were performed on captured bodies and POWs who did not survive the various experiments. During this activity, the Soviet doctors determined that an unusually high percentage of young US soldiers had suffered cardiovascular damage, which they referred to as 'mini heart attacks'.

At the same time, Soviet intelligence, which was studying Chinese drug-trafficking<sup>6</sup>, determined that the young US servicemen were also the most prominent users of the harder drugs<sup>7</sup>. The Soviet doctors noticed the correlation and hypothesised that one of the factors that probably contributed to the heart damage was drug abuse<sup>8</sup>.

News of the physically debilitating effect of the drugs captured the imagination of the Soviet leader, Nikita Khrushchev. Drug and narcotics trafficking, he reasoned, should be viewed as a strategic operation that would directly weaken the enemy, rather than merely as a financial or intelligence tool. Accordingly, he ordered a joint military-civilian, Soviet-Czechoslovak study to examine the total effects of drug and narcotics trafficking on Western society; this included its effects on labour productivity, education, the military (the ultimate target at that time), and its use in support of Soviet Bloc intelligence operations. Nor was this study approached as a question of tactics or as simply an opportunity for exploitation. The narcotics potential was examined in the context of long-range strategy. Costs and risks, benefits and payoffs, integration and coordination with other operations, were all examined. Even the effects of drugs *over several generations*<sup>9</sup>, were analysed by scientists from the Soviet Academy of Sciences.

The conclusions of the study were that trafficking would be extremely effective, that the most vulnerable targets were the United States, Canada, France and West Germany, and that the Soviets should capitalise on the opportunity. The study was approved by the Soviet Defence Council in late 1955 or early 1956. The principal guidance from the Defence Council in approving the action was to direct the planners to speed up the timetable of events, which was possible because of certain operational experience with narcotics that already existed within the Soviet Bloc intelligence services but about which the people who had prepared the basic plan were unaware<sup>10</sup>. This plan was formally

approved when the Soviets decided to begin narcotics trafficking against the so-called bourgeoisie, especially against the 'American capitalists' – the 'Main Enemy'.

Moreover the study materialised at a most propitious time for the Communists because, simultaneously, the Soviets under Khrushchev's direction were working hard to modernise the world revolutionary movement. Khrushchev believed the movement had grown stagnant under Stalin, and he wanted it rejuvenated, to take advantage of new world conditions.

Soviet strategy for revolutionary war is a global strategy. Soviet narcotics strategy is a sub-component of this global strategy and is best understood in this context. While the primary target of this activity is often thought to be the undeveloped world, this is not the case. Soviet strategy and tactics were developed **for the whole world**, within which the most important sectors were the industrialised nations and the most important target, the United States.

The basic updated revolutionary strategy† took shape in the years 1954 to 1956. As detailed by Sejna, there were five principal thrusts in the modernised strategy. *First* was enhanced training of leaders for the revolutionary movements – the civilian, military and intelligence cadres. The founding of Patrice Lumumba University in Moscow is an example of one of the early measures taken to modernise Soviet revolutionary leadership training.

The second step was the actual training of terrorists. Training for international terrorism actually began under cover of the 'fight for liberation', within the context of the Comintern's decolonisation policy\*. The term 'national liberation' was coined to replace revolutionary war movement as a two-way deception: to provide a nationalistic cover for what was basically an intelligence operation and to provide a label that was semantically separated from the Communist revolutionary war movement.

The third step was international drug and narcotics trafficking. Drugs were incorporated into the strategy for waging revolutionary warfare as a political and intelligence weapon for deployment against 'bourgeois societies' and as a mechanism for recruiting agents of influence around the world.

† *Editor's Note:* General Sejna's summary of the basic global revolutionary strategy developed following the death of Stalin is not inconsistent with the account of the long-range revolutionary deception strategy explained in the two books by the Soviet defector, **Anatoliy Golitsyn** [*New Lies for Old* and *The Perestroika Deception*, *op. cit.*], which concentrated primarily upon deception theory and its application in the context of preparations for the dismantling of the Stalinist model, realised under Gorbachëv, ahead of the orchestrated proliferation of the Leninist World Revolution on a truly global scale, the critical stage currently being experienced. Recall Gorbachëv's consistent adherence and invocation of Lenin at every opportunity, epitomised by the following statement [*Current Digest of the Soviet Press*, 40, Number 7, 1988, pages 3-4]: **'No, we are not retreating a single step from socialism, from Marxism-Leninism'**. Moreover Soviet drug-trafficking operations began in earnest in 1960, *precisely* when the finishing touches were being put to the long-range deception strategy, ratified at the 81-Party Congress held in Moscow in December 1961 [see both Golitsyn works, *op. cit.*].

\* *Editor's Note:* The Comintern laid down that the colonial empires must be destroyed as a prerequisite for the destruction of capitalism, and immediately set about subverting the colonial powers' foreign policy structures with this objective in mind. This policy was promulgated in the Comintern's *Theses on the National and Colonial Questions* contained in *The Theses and Statutes of the Communist International*, as adopted by the Second World Congress, held between July 17th and August 7th, 1920, in Moscow. It was updated in *The Programme of the Communist International* adopted at the Sixth World Congress on September 1st, 1928, which sought 'to overthrow the rule of foreign imperialism' and stated that 'colonial revolutions and movements for national liberation play an extremely important part in the struggle against imperialism'. In 1986, Eduard Shevardnadze, the former police and Party chief in Soviet Georgia whom President Gorbachëv had elevated to the post of Soviet Foreign Minister, congratulated the world Communist movement upon its success in having almost completed this historic task.

The fourth step was to infiltrate organised crime and, further, to establish Soviet Bloc sponsored and controlled organised crime syndicates throughout the world.

The fifth step was to plan and prepare for sabotage throughout the whole world. The network for this activity was to be in place by 1972.

Because of the close association between organised crime and narcotics, the Soviet entry into organised crime deserves closer scrutiny. Moscow's decision on organised crime was made in 1955. It, too, was to be a global operation targeted against all countries, not just the United States, although organised crime in the United States, along with France, Great Britain, Germany and Italy, were primary targets.

The main reason for infiltrating organised crime was the Soviet belief that high-quality information – information on political corruption, money and business, international relations, drug-trafficking, and counter-intelligence – was to be found in organised crime. The Soviets reasoned that if they could successfully infiltrate organised crime, they would acquire unusually promising scope for controlling many politicians and would have access to the best information on drugs, money, weapons and corruption of many kinds. A secondary motive was to use organised crime as a covert mechanism for distributing drugs.

As in the case of drug-trafficking, the Soviets put together study groups to analyse organised crime, to identify the main criminal groups, to develop a strategy and tactics for infiltrating the groups, to identify what people could be used to promote infiltration, and to examine the possibility for organising or helping to organise new criminal franchises. In Czechoslovakia, the studies went on for six months. These studies were not taken lightly; on the contrary, they were high-level operations involving top officials from military intelligence, counter-intelligence, civilian intelligence and the Administrative Organs Department of the Central Committee.

The first plan was put into action in 1956. Czechoslovakia was given directions on which operations to undertake as part of the intelligence plan, which was reviewed and approved in the fall of that year. The plan instructed Czechoslovak strategic intelligence to infiltrate seventeen different organised crime groups, as well as the mafia in France, Italy, Austria, Latin America and Germany. The Italian Communist Party was used heavily in the infiltration operation. Twenty percent of the Italian police were members of the Communist Party at that time. These members helped Soviet Bloc intelligence agents to infiltrate the mafia. War criminals, e.g. Germans, were also coerced into assisting the Soviet Bloc agents in this endeavour, especially throughout Latin America.

The Czechoslovak operation was very successful and did not cost much money. Organised criminal activity was developed around information collection and blackmail; it was a two-sided operation. Once inside, the agents remained largely passive; they just collected information. Then, at the right opportunity, information would be released for political reasons – for example, to trigger revolutionary changes, or to create a situation that could be exploited by the Social Democrats. This is why the operation was organised within the unit responsible for strategic intelligence: it was used for *strategic* advantage.

Narcotics, terrorism and organised crime were coordinated and used together in a complementary fashion. Drugs were used to destroy society. Terrorism was used to destabilise the targeted country and to prepare a revolutionary environment. Organised crime was used to control the élite. All three strands were long-range strategic operations and all three had been incorporated into Soviet Bloc planning by 1956.

Before actual narcotics trafficking could begin, several preparatory measures were required, the two most important of which were the development of a strategy for the

covert marketing of drugs and narcotics, and the training of intelligence cadres. The Soviets wanted to hide their operation from the Chinese and especially from the West, to avoid upsetting acceptance by the West of the Soviet strategy peaceful coexistence<sup>11</sup>. Because the narcotics strategy was new in most of its particulars, the necessary intelligence skills had to be developed and passed to agents. This training activity involved not only Soviets, but East European intelligence agents as well.

Additionally, during the late 1950s, a research program was undertaken to obtain quantitative data on the actual effects of different drugs on soldiers, which involved the use of Soviet soldiers as guinea pigs. As part of this research, an espionage program was initiated to penetrate Western medical and science centres, especially those of a military nature, to determine how much the West knew about the effects of drugs on people – particularly their effects on military combat-effectiveness and decision-making.

In parallel, Soviet Bloc intelligence services were directed to learn how much Western intelligence services knew about the drug business and which drug groups they had infiltrated. One of the important questions addressed in this study was the nature and effectiveness of Western intelligence services' ability to monitor the production and distribution of drugs<sup>12</sup>. Several years later, Sejna was to learn the results of this study directly from the Chief of the Soviet General Staff, Marshal of the Soviet Union Matvey V. Zakharov.

Zakharov said that Soviet intelligence had concluded that US intelligence and counter-intelligence were blind, and that this made the Soviet drug operation much easier. The United States' intelligence operations were concentrated, along with those of the British, on narcotics trafficking through Thailand and Hong Kong, where there was so much drug activity and associated corruption that no useful information on Soviet drug trafficking could be collected. The 'background noise' was simply too great.

During the studies, the use of narcotics and drugs became recognised as a special dimension of chemical warfare. In Czechoslovakia, drugs and narcotics research were formally added to military planning, as a dimension of chemical warfare research. This research included tests on the effects of drugs on military performance – for example, on pilot performance, which was studied at the Health Administration of the Rear Services and at the Health Institutes of the Air Force.

Finally, the basic study on the impact of drugs on the West was expanded to improve identification of groups and regions to be targeted. This further study was the responsibility of the International (Foreign) Department of the Central Committee of the CPSU (Communist Party of the Soviet Union). It was, in effect, a political market analysis and marketing techniques study.

One of the last measures to be initiated before the actual mass trafficking operation began was the establishment of training centres for drug-traffickers. In the case of Czechoslovakia, the training centres were joint Soviet-Czechoslovak operations. There were both civilian intelligence-managed training centres, which were jointly planned by KGB (Soviet) officials and Czechoslovak officials from the Second Administration of the Ministry of Interior (the Second Administration was the Czechoslovak KGB intelligence counterpart)<sup>13</sup>; and military intelligence-managed training centres, which were jointly planned by the GRU (Soviet Military Intelligence) and its Czechoslovak counterpart, Zs.

These plans were developed in 1959, as General Sejna recalls, and the Defence Council's review of the plans and decision to fund them, following instructions from the Soviet Defence Council, took place in 1959 or 1960.

The Zs (military intelligence) training centre was located in a Czechoslovak Zs base

at Petržalka, a suburb of Bratislava, situated on the Austrian border. The Second Administration training centre was located next to Liberec, on the West German border.

Each course consisted of three months of intensive training. While indoctrination in Marxism-Leninism was present, the emphasis was strictly on the drug business. The Soviets provided the Czechoslovaks with a copy of the Soviet schedule and lesson plans, which the Czechoslovaks copied. The course included instruction in:

- The nature of the drug business, types and quality;
- Means of production;
- Organisation of distribution;
- Drug markets and buyers;
- Security;
- Infiltration of existing production networks;
- How to use the experience of intelligence networks;
- Communications within drug organisations;
- How to pass intelligence information; and,
- How to recruit intelligence sources.

At the Zs centres, two different groups were processed for training, and these alternated. The first group was recruited by the military and civilian intelligence services. This group was strictly for drug 'criminals' – the attendees were neither Communists nor ideologically motivated. The word 'criminals' is shown here in quotation marks, because that is what the training was to produce. However, all recruits were carefully screened by military or civilian counter-intelligence to make certain that the recruits were clean; that is, that they did not have criminal records or a background in corruption that rendered them susceptible to blackmail by another party. Often, the recruits were sons or daughters of people in positions of power. These people, and the potential risks that would be associated with their recruitment, were often the subject of specific discussions within the Czechoslovak Defence Council.

The second group were people recommended by the First Secretaries of the various foreign Communist Parties. These were Communists who were considered loyal to the cause. They, too, were carefully screened by military or civilian counter-intelligence before being admitted to the course. Their training was slightly different, because their trafficking was also intended to serve a local political purpose and because they operated and communicated through different special (Party or intelligence) channels. Their drug-trafficking (and training) was heavily oriented to support the First Secretary of the local Communist parties; for example, to compromise opposition leaders.

In addition to Czechoslovak instructors, the Soviets often provided two instructors for each course who had practical experience. Most often these were Latin Americans or others who looked the part and spoke fluent Spanish. These instructors would present seminars dealing with practical problems and real life experiences.

As indicated above, the courses ran for three months. Thus, a total of four groups trained each year. The first group to take the Zs course in Czechoslovakia was small – seven future drug criminals consisting of four Latin Americans, two West Germans, and one Italian or French national, as Sejna recalls. By 1964, the group size had expanded to fourteen, and by the end of the 1960s, full capacity, twenty, was reached. Thus a total of approximately thirty students were trained the first year in the Czechoslovakia Zs centre, and by 1968 the annual output of graduates had reached eighty.

The Second Administration centre was of similar size. Additionally, similar drug-trafficker training centres that Sejna was aware of were established in Bulgaria, East Germany and the Soviet Union. And in 1962-63, Czechoslovakia was directed by the Soviets to assist North Korea, North Vietnam and Cuba to establish training centres. On the unreliable assumption that each training centre was the minimum size, each operated at or near its capacity, and no other centres existed or were added after Sejna left, the number of graduates today would exceed 25,000.

The students who attended the course in the Czechoslovak centres were mainly from Latin America, Western Europe, parts of the Middle East, Canada and the United States. Bulgaria's focus was on the Middle East and Southwest Asia – Turkey, Afghanistan, Pakistan, Lebanon and Syria. East Germany handled West Europeans and Scandinavians, and all countries assisted with nationals from the Far East.

The course was free, all expenses paid. Graduates returned to their respective countries and applied their skills. Some built independent operations, others cooperated with ongoing operations. Those who deviated and attempted to 'change sides' were killed<sup>14</sup>. All returned a percentage of their earnings to the Soviet Union directly, which would then reimburse the intelligence services of the satellites that had performed the training. In the case of Czechoslovakia, their cut was 30% of the fees the Soviets received back<sup>15</sup>.

The establishment of these training centres completed the preparations for the drug strategy. These activities – strategy development, training, research, espionage, and market analysis – were the principal activities of the early Soviet drugs offensive in the late 1950s. Where there were intelligence operations involving actual trafficking, these were more in the nature of limited probes, tests and continuations of prior intelligence practices. The real trafficking, from Sejna's perspective, did not begin until 1960, by which time the marketing strategy had been worked out, strategic intelligence agents had been trained, and training schools were turning out indigenous graduate drug-traffickers. ■

## References to Chapter 2:

1. Jan Sejna, *We Will Bury You* (London: Sidgwick & Jackson, 1982).
2. The Administrative Organs Department is one of the two or three most important departments of the Central Committee. This department has responsibility for the Ministry of Defence, Ministry of Interior (KGB), and the Ministry of Justice. It is the most important department insofar as defence, intelligence, and deception are concerned.
3. In Congressional testimony and in official reports of the Narcotics Division of the US Treasury Department, the Korean War is described as having 'been financed solely from the sale of illicit narcotics'. Lasky, *Red China's Secret Weapon*, *op.cit.*, page A2176.
4. The most significant briefing, which took place in 1956, included Dr Dufek, Colonel-General Miroslav Hemalla of the Military Health Administration, who later became a general and head of the Military Health Administration, Colonel Dr Plizak, whose specialty was the central nervous system and who practiced at the experimental hospital in North Korea, and several other medical specialists.
- There was scattered intelligence on certain of the experiments which had given rise to serious concern within US intelligence and within the US Army. See, for example, John Ranelagh, *The Agency: The Rise and Decline of the CIA* (New York: Simon and Schuster, 1986), page 215, and US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, *Foreign and Military Intelligence: Book 1* (Washington, D.C.: US Government Printing Office, April 26, 1976), pages 392-393.
5. CIA concern about Soviet, Chinese, and North Korean use of LSD and other drugs in mind-bending experiments became real during the Korean War. The concern was apparently valid and justified but there was a lack of understanding of the dimensions and objectives of the Communist programs. Unfortunately, this concern led to the tragically aberrant experimentation by US intelligence which surfaced during the Congressional hearings of 1975-76. See, for example, US Senate, *Final Report of the Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Foreign Intelligence, Book 1* (Washington, D.C.: US Government Printing Office, 1976), pages 392-420.
6. Soviet interest in the use of drugs goes back to the mid-1930s, when the Soviets were experi-

menting with drugs as a revolutionary tool. One particularly interesting example of the use of drugs in this respect is reported by A. H. Stanton Candlin. He states that in 1934, the Comintern experimented with the use of marijuana in New York City to stimulate student radicals against the New York police. The behaviour of both drugged and undrugged youths were compared.

'During the mêlée that resulted it was obvious to the observers that the drugged group were far more effective than the undrugged one. The former were insensible to pain and also continued to struggle and resist vigorously after they had been arrested. As soon as they were in the police station, the ACLU [American Civil Liberties Union] appeared on the scene and bailed them out. All rioters were then taken to the Rand School of Social Science (listed as a Communist-run organisation by the Federal Government) where they underwent medical and psychiatric examination . . . Two days later a conference was held having as its subject the use of marijuana as a conditioning medium for riots and revolutionary violence. It met at the headquarters of the League for Industrial Democracy . . . Leading personalities of the Communist Party . . . participated'.

The principal speaker, Rosito Carrillo (an alias), explained that Mexico had been the proving ground for a new mental-conditioning technique, using marijuana, which heightened revolutionary spirit. The emotions and states of fear, apprehension, and indecision could be inhibited and the senses partially anaesthetised against pain and even the irritation caused by teargas.

Marijuana, or hashish, could be made concentrated enough, Carrillo said, to bring about unconsciousness and even permanent brain damage. He explained that it was a valued weapon in the Communist arsenal to help undermine and topple the capitalist system. Speakers arose and propounded a long-range campaign to win legal acceptance of marijuana and other similar drugs, using as an argument the right to freedom of individual choice. A. H. Stanton Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West* (New Rochelle, New York: Arlington House, 1973), pages 45-47.

Additionally, the use of drugs to subdue societies in the same sense that the drugs were used by Mao Tse-tung is reported to have been first examined by the Comintern in the mid-1930s. Furthermore, the use of drugs as intelligence weapons by Soviet intelligence services to corrupt and extort foreign officials predates the Korean War.

It seems reasonable to hypothesise that this history of Soviet interest in the use of drugs as weapons and revolutionary tools stimulated the Soviets to watch with considerable care and study the impact of Chinese trafficking on the fighting efficiency of the US and South Korean forces, which then led to the decision that drugs were indeed a valuable weapon the use of which should be exploited.

[The use of drugs by the North Vietnamese and Chinese Communists to intensify the attacking spirit has also been reported in recent years. In an article recapturing personal experiences in Vietnam, two examples are presented: 'The way the teargas didn't affect the NVA at all leads me to believe they were hopped up on drugs'. And: 'Quite a few of the NVA we killed inside our wire were bandaged – that night. It was obvious that they had sent their wounded back up to fight the battle. That scared me – to the point that I could not believe that people who had already been wounded and messed up still wanted to fight. I figured they had a lot more drive than I had. Those people were scary, like they were almost super-human. We found drugs – syringes and chemicals'. Eric Hammel, 'Khe Sanh: Attack on Hill 861A', *Marine Corps Gazette*, February 1989, pages 48, 49.

Furthermore, on June 4, 1989, a Cable News Network broadcast on the fighting in Beijing in which the Chinese soldiers were especially brutal in their attack on students who were revolting against the Communist régime, reported that the presence of drugs was identified in the blood and urine of soldiers who were hospitalised. The soldiers said they had been given injections or 'vaccinations' prior to engaging the students because Tiananmen Square was dirty. Subsequent reports out of Europe stated, in addition, that the soldiers had been given psychological hate conditioning in conjunction with the administration of drugs prior to their assault on the students.

The first use of synthetic drugs to stimulate attacking soldiers may have been undertaken by the Germans in the Second World War. Consider: 'When the German armies waged the *'blitzkrieg'* or 'Lightning war' through France and the Lowlands in 1940, the Allied forces were no match for their stamina and ferocity. The Germans fought like men possessed, and they were. Their pharmacists had synthesised methedrine, a cheap but powerful energising drug that allowed their soldiers to fight vigorously for weeks at a time with no sleep and little food'. William Glasser, M.D., *Take Effective Control of Your Life* (New York: Harper & Row, 1984, page 138).

Another related finding is reported by Michael Isikoff in 'Users of Crack Cocaine Link Violence to Drug's Influence', *Washington Post*, March 24, 1989, page A10. Isikoff reports on studies that have clearly linked violent behaviour with crack cocaine. Nearly half of the callers to a cocaine hotline reported that they had perpetrated violent crimes, most while under the influence of the drug. There was no perceptible difference between female and male users].

7. The use of drugs during the Korean War, while serious, was not as widespread as it was during the Vietnam War. Indeed, many people who served in the war were not aware of the problem, which

tended to be more marked in specific locations than in others. For example, one area identified by a former counter-intelligence specialist where the use of hard drugs was especially noticeable was among the stevedore battalions in Pusan.

8. US medical personnel also identified cardiovascular damage among young US servicemen. They attributed the cause to diet. The Soviet doctors, too, recognised the possible contribution of diet, but additionally noted the equally possible contribution of drug usage among the US servicemen. It was this latter possibility that captured Khrushchev's imagination. While reports on the adverse medical effects of drugs appeared in the 1970s in Western medical literature, these effects did not really receive medical attention until the 1980s. Recent research has tied cocaine, heroin, marijuana, and other drugs to both cardiovascular damage and brain damage. See, for example, Louis L. Cregler, M.D. and Herbert Mark, M.D., 'Medical Complications of Cocaine Abuse', *New England Journal of Medicine*, December 4, 1986. In many respects, Soviet science, as it pertains to military and intelligence operations, is far ahead of Western science. Take the crucial issue of the consequence of drug use over successive generations. In 1990, the *Wall Street Journal* reports that 'multi-generation use is one of the great unexplored areas in the war against drugs, in part because the phenomenon is so recent'. David Shribman, 'The '60s Generation, Once High on Drugs, Warns Its Children', *Wall Street Journal*, January 26, 1990, page 1. Soviet scientists were studying this phenomenon in the mid-1950s.

9. How much the Soviets knew about the effects of drugs in the mid-1950s is not known. It does appear that **because of their interest in, for example, mind-control and the use of drugs to stimulate revolutionary activity**, they might well have known much more than was known in the free world. The Soviet identification of the harmful effects of drugs on the cardiovascular system appears to predate similar recognition in the West by many years. The question of the effects of drugs over successive generations has only recently received attention in the United States; note growing concern over the permanent disabilities and reduced mental capacities of children born to women who are on drugs, even on marijuana. See, for example, Michael Abramowitz, 'Pregnant Cocaine Users Reduce Risk by Stopping', *Washington Post*, March 24, 1989, page A10.

10. This would probably refer to Soviet experience in using drugs to stimulate and otherwise further revolutionary activity and to the experience of their intelligence services in using drugs to extort and bribe foreign officials. Considerable expertise had also been gained from extensive experimentation with drugs for mind-control purposes. Additionally, the Soviets were experimenting with and promoting the use of drugs such as LSD to create mental incapacities. This work is described in a Communist textbook, *Communist Manual of Instructions of Psychological Warfare*, used in the United States to 'capture the minds of a nation through brain-washing and fake mental health', as described by Kenneth Goff, a former Communist turned anti-Communist crusader [see also the Introduction to this book, the Second Edition of the present work]. The textbook contains an introductory address on psychopolitics by Lavrenti Beria of the Soviet Ministry of Internal Affairs in which he states that 'Psychopolitics is a solemn charge. With it you can erase our enemies as insects. You can cripple the efficiency of leaders by striking insanity into their families through the use of drugs'. The text itself states that 'by making readily available drugs of various kinds, by giving the teenager alcohol, by praising his wildness, by stimulating him with sex literature and advertising to him or her practices as taught at the Sexpol, the psychopolitical operator can create the necessary attitude of chaos, idleness and worthlessness into which can then be cast the solution which will give the teenager complete freedom everywhere - Communism'. *Brain-Washing: A Synthesis of the Communist Textbook on Psychopolitics*, published by Goff, 1956.

11. A good description of Khrushchev's peaceful coexistence strategy is contained in Sejna, *We Will Bury You*, op. cit., pages 22-36. See also Raymond S. Sleeper, editor, *Mesmerized by the Bear* (New York: Dodd Mead & Company, 1987), pages 216-219.

12. Since 1973, at the initiative of US Customs and the Bureau of Narcotics and Dangerous Drugs, the United States has been sharing US narcotics trafficking control techniques and intelligence on trafficking organisations with various Soviet Bloc customs (intelligence) agencies. In 1988, the US State Department and the Drug Enforcement Administration reported that they were negotiating to share drug-trafficking intelligence with the Soviet Union, including drug samples possibly keyed to different production and distribution networks. This is discussed in detail in Chapter 9.

13. There was considerable confusion in the West (and in the East, for that matter) about the structure of Soviet Bloc intelligence services. This was only natural, because intelligence is highly classified, and classification includes the structure and organisation of the intelligence services themselves.

In Czechoslovakia, probably the best known component of the intelligence service was the StB or State Security (*Statni Bezpecnost*), which prior to 1967 was known as the StB or State Secret Security (*Statni Tajna Bezpecnost*). Its name was changed in 1967 to remove the 'secret', in an attempt to improve its image. Notwithstanding the publicity attached to the StB, there are few people, even in Czechoslovakia, and even within the Czechoslovak intelligence service, who understood what the StB was, and how it fitted into the overall Czechoslovak intelligence system. Quite often, StB was used generically to describe any activity within the entire civilian intelligence system. But this was incorrect and was where the confu-



sion began. [*The Author further explained, in the first Edition of the present work*]:

The civilian intelligence service is organised within the Ministry of Interior. The Ministry is functionally organised into separate administrations. The First Administration is civilian counter-intelligence. This is the StB. This is the organisation that is responsible for keeping track of Czechoslovak civilians and for rooting out traitors and other enemies of the state. The Second Administration is civilian intelligence (as distinct from military intelligence, which is organised within the Military Intelligence Administration of the General Staff). This is the organisation responsible for intelligence operations outside Czechoslovakia; that is, foreign intelligence operations such as espionage, political sabotage, deception and disinformation, and technology theft.

A prime example of the confusion that exists is an article on the 'dread secret police' published during the upheavals in Eastern Europe [1989-90]. The StB has been regarded by Western diplomats as the most ruthless and efficient of all the East European security services .... Internationally, the Soviet Union's KGB has often used the StB as a surrogate for doing its dirty work. The StB's connection to international terrorist organisations – through the manufacture of the deadly plastic explosive Semtex [a plastic explosive favoured by terrorists because it emits few telltale vapours and is very hard to detect] – is another mystery'. Dan Morgan, 'Amateurs Probe Dread Secret Police', *Washington Post*, December 14, 1989, page 41.

Here, the author is mixing up, or combining, the first and Second Administrations. Both are ruthless and efficient. Western diplomats in Czechoslovakia will have more contact with the StB or First Administration than with the Second Administration, although without their knowledge. The First Administration will contact them to learn about spies in Czechoslovakia. The Second Administration will try to recruit them to spy for Czechoslovakia. Outside Czechoslovakia, almost all contact will be by the Second Administration. And while both administrations are used as surrogates by the KGB, internationally it is the Second Administration which is the surrogate for KGB intelligence operations, and it is in the Second Administration and military intelligence where terrorist operations and the support provided for them – such as the production of Semtex – are organised. Also, drug-trafficking is organised within the Second Administration and within military intelligence, not in the StB, although the StB does have a counter-intelligence task, which is shared with the Third Administration, military counter-intelligence.

There is also often a confusion as to the importance and rôle of military intelligence. This is probably due to the preponderant number of sources (defectors) from civilian intelligence and the relative scarcity of military intelligence sources. Most civilian intelligence officials do not know much about military intelligence operations and, accordingly, tend to play down the importance of military intelligence.

Another confusion is the notion that the StB 'operates as a state within a state, uncontrolled by its alleged superiors at the Interior Ministry of the Communist Party Central Committee'. Control is the *essence* of the overt Communist system. Everything and everybody is controlled. It is the First Secretary who wields most control. Beneath him, there are numerous committees and commissions also exerting control, many of which are, in turn, controlled by the First Secretary. Additionally, within the satellites, the Soviet Union has its own control mechanisms. To think that organisations, including the StB, run rampant without control is to overlook one of the most important characteristics of the internal structure of the Communist system.

In addition to civilian intelligence and counter-intelligence, there are a variety of other major subdivisions or administrations within the Ministry of Interior that are important components of the intelligence and security system. These are: military counter-intelligence, public security (police), passport control, investigations, jails, interior troops, border troops, customs service, censorship, support for foreign diplomats and embassies, and finance. In comparing the Czechoslovak and Soviet intelligence services, the Czechoslovak Ministry of Interior is roughly comparable to the Soviet KGB (*Komitet Gosudarstvennoy Bezopasnosti* or Committee for State Security). The principal difference is that the public security (police) in the Soviet Union do not come under the KGB. The Czechoslovak Second Administration is comparable to that portion of the KGB that handles intelligence, as distinct from counter-intelligence, investigations, customs, and so forth.

14. When the intelligence plan was reviewed in 1965 or 1966 by the Czechoslovak Defence Council, one of the members asked how effective the program had been. At that time, the chief of military intelligence explained, only seven graduates had not been successful. Of this number, two had been killed by Czechoslovak intelligence when they had attempted to switch sides.

15. General Sejna was present at a discussion with the First Secretary of the Communist Party of El Salvador, who was told directly that in return for weapons and military supplies, it was his Party's responsibility to help the Czechoslovaks pay for the weapons through drugs. The First Secretary responded that the market in El Salvador was limited, but if it was expanded to include the United States and Canada, none of us would have a money problem. The Czechoslovak official who was in charge then advised him that the United States and Canada were the primary targets.

# BUILDING THE LATIN AMERICAN DRUG NETWORK

The Czechoslovak component of the Soviet drug offensive began in 1960 on two fronts, Asia (Indonesia, India and Burma) and Latin America (Cuba). Because of the special relevance of Cuba to the growth in illegal drugs and narcotics in the United States, the Soviet-Czechoslovak-Cuban operation deserves close scrutiny.

In the late summer of 1960, just a year and a half after Fidel Castro seized power, his brother Raúl Castro visited Czechoslovakia in search of military aid and assistance. At that time, Fidel and the Soviets distrusted each other, which is why the Cubans first approached Czechoslovakia rather than the Soviet Union. Sejna was responsible for receiving the Cuban delegation and serving as their host during their visit. One of his first actions was to arrange for Raúl to visit the Soviet Union and meet Khrushchey<sup>1</sup>. Following that visit, the Soviets directed Czechoslovakia to work with the Cubans and pave the way for an eventual Soviet takeover of Cuba. The Soviets wanted Czechoslovakia to take the lead, hiding the rôle of the Soviet Union. They did not want Fidel Castro to be aware of the Soviet operation to infiltrate and take over Cuba and they did not want the United States to be alerted to what would be happening.

Cuba and Czechoslovakia signed an agreement whereby the Czechoslovaks would help the Cubans obtain military equipment, train the Cubans in military planning and operations, and help organise Cuban intelligence and counter-intelligence<sup>2</sup>. In return, Cuba agreed to become a revolutionary centre<sup>3</sup> in the West and to allow Czechoslovakia to establish an intelligence station in Cuba. Sixteen Czechoslovak advisors went to Cuba to provide training and help establish their intelligence and counter-intelligence operations. Roughly fifty percent of the Czechoslovak advisors and intelligence agents who went to Cuba were actually Soviets operating under Czechoslovak cover. Within three years, all Czechoslovaks in key positions would be replaced by Soviets. Thus, from the beginning, Cuban intelligence and military structures were heavily influenced by the Soviets. (In less than ten years, the Soviets were in complete control.)

After the first Cubans had been trained as intelligence agents, they received their first directions from Moscow via Czechoslovakia: to infiltrate the United States and all Latin American countries<sup>4</sup> and to produce and distribute drugs and narcotics into the United

States. The instructions from the Soviet Defence Council went to the Czechoslovak Defence Council and thence to Cuba. Czechoslovak advisers helped the Cubans initiate the production of drugs and narcotics as a matter of the highest priority and also assisted them in setting up transportation routes through Canada and Mexico, where the Czechoslovaks had good agent networks, into the United States. Rudolph Barak, the Czechoslovak Minister of Interior and as such the head of civilian intelligence, personally helped establish the Cuban operation. From the beginning, Barak was constantly pushing the Soviets to go faster and farther. He wanted to speed production and make more effective use of the Czechoslovak agent networks in Latin America, Asia, Austria and West Germany<sup>5</sup>.

No sooner had the basic Cuban drug production and trafficking operation started up than instructions were received from the Soviet Defence Council to expand the offensive. In 1961, Czechoslovakia received directions from the Soviet Defence Council for Cuban intelligence to infiltrate existing drug operations in Latin America and the United States and to prepare the base for 'recruiting' these independent operations. The order was presented to the Czechoslovak Defence Council by the Ministers of Defence and Interior. As Secretary of the Czechoslovak Defence Council, Sejna was responsible for coordinating and scheduling such directions and subsequent assignments. The Czechoslovak plan to implement the order had been coordinated and approved by the Soviet Administrative Organs Department of the Central Committee of the CPSU.

The main objective of the infiltration was to obtain information on individuals who had been corrupted by drug and narcotics trafficking. Key target groups that were identified were the military, police, government, politics, religions and business. Additional targets were scientific institutions, military industry, and universities. A secondary objective was to obtain intelligence on all drug and narcotics production and distribution activity, to enable the Soviets to exert strategic control and help prevent the various independent operations from interfering with one another. Intelligence derived from organised crime penetrations also contributed to this objective. The first meeting to coordinate the infiltration and collection of data on drug and narcotics corruption that Sejna was aware of occurred in 1962 during the Second Havana Conference, at a secret meeting of Soviet and Soviet-trained strategic intelligence agents from all the Latin American organisations. The secret meeting was managed by Cuban and Czechoslovak intelligence. Czechoslovak officials from military intelligence, Zs, organised the meeting. Other Czechoslovak officials attending the conference were from the Ministry of Interior, Second Administration (the KGB intelligence counterpart in Czechoslovakia) and military counter-intelligence.

In collecting data on individuals corrupted by drug-trafficking, both those using drugs or profiting from the trafficking, the Soviets identified large numbers of people who could be bribed, who were susceptible to influence, and, most important, as Sejna elaborated, who were 'not concerned about the consequences of their actions'. The resulting information in the dossiers provided an excellent base for recruiting 'agents of influence' or spies. This information was also used to expose and damage the reputations of individuals and organisations considered hostile to Soviet interests.

The use of corruption data for blackmail and for recruiting agents of influence is a long-standing Marxist-Leninist tactic which is used on a global scale. Czechoslovak intelligence divided its dossiers on corruption into two categories: people already in positions of power, and people at lower levels who were likely to advance into positions of power. By 1967, Czechoslovak intelligence had about 2,500 dossiers on people in the first category.

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Their files did not duplicate the dossiers maintained by others who were active in Latin America – the Cubans, East Germans, Hungarians, Bulgarians and Soviets – because of cooperation among the intelligence services. Thus, by the late 1960s, the Soviets already possessed corruption data on upwards of 10,000 influential people throughout Latin America.

As an indication that these numbers are not unreasonable, in 1971 a Frenchman by the name of Batkoun was caught bringing heroin into Canada. He was deported to France and convicted there of exporting heroin. During the trial, Batkoun was identified as a member of the French Communist Party and an agent of the subsection '*Groupeement Cinq*' of the Soviet KGB. During his trial, *Valeurs Actuelles* reported that when arrested he had in his possession a list of 2,000 heroin addicts in Canada, many of whom were prominent civil servants, artists, radio and television entertainers, and university professors<sup>6</sup>.

Corruption, of course, is not confined to Latin America, but includes North America and European countries such as France, Sweden, Austria, Switzerland, Italy, Great Britain and Germany, of which the last two were identified by the head of the CPSU's International Department, Boris Ponomarev, as the most corrupt. Recognising that the financial institutions that help launder illicit money are part of this network of corruption, the potential for Soviet blackmail and influence operations becomes mind-numbing. Indeed, as will be discussed later, part of the Soviet strategy was to involve people in drugs who were in positions of influence, especially people in banks, financial institutions, politics, the military, and middle-level management in industry, *precisely* because of the subsequent potential for blackmail and influence operations<sup>7</sup>.

Knowledge of how various 'independent' drug operations work, what their trafficking networks are, and who their contacts are, is also used in pursuit of the second objective mentioned on page 26, to exercise strategic control over the operations. In general, the Soviets do not want or need tactical, day-to-day control. So long as drugs and narcotics are flowing in the right direction, into bourgeois societies, Soviet objectives are being accomplished. What is important to the Soviets is to prevent such activities from interfering with other Soviet Bloc operations and certainly to prevent such operations from causing the spotlight of publicity to be shone in the 'wrong' direction.

The information collected via this process was impressive. In 1963, General Sejna, the Minister of Defence, and the chief of military intelligence visited the Zs drug-trafficking training centre at Bratislava. Their host and escort was Colonel Karel Borsky, the military intelligence political officer who was in charge of the training centres. At the time, Sejna was amazed at the scope of the detail on drug-trafficking around the world, but especially throughout Latin America, that had been assembled at the Bratislava training location. For example, extensive data had been acquired on numerous companies in Mexico the main business of which was drug smuggling – including pictures of the trucks and the names of the drivers used to transport the drugs into the United States.

Armed with knowledge of how drug operations work, the Soviets watch an operation and exert control only when necessary. The potential for strategic control is evident from testimony given in 1983 by Juan Crump, a Colombian lawyer and narcotics trafficker. In response to questions by Senator Dennis DeConcini (D-AZ) on the importance of contacts with Colombian officials, Crump responded that contact (bribery) was essential in order to exist and survive<sup>8</sup>. Through Soviet knowledge of these officials, and intelligence on their illegal activities, the Soviets obtain the leverage to exert control over the 'independent' drug operations when necessary.

Another mechanism employed to deal with organisations or individuals who do

not cooperate is to set them up for arrest by drug enforcement authorities. That has been rumoured to be what enabled the US authorities to bring to trial the Colombian drug lord, Carlos Lehder Rivas. Possible reasons for his betrayal are easy to imagine. For example, either the Soviets or the other members of the Medellín Cartel could have concluded that Lehder had become too vocal, too political<sup>9</sup>. Lehder was giving radio interviews and calling cocaine the 'Latin American atomic bomb'<sup>10</sup>. Cocaine was a revolutionary weapon to be used against the imperialists, he explained. The problem with what he was saying was that it focused unnecessary attention on the drug operations, specifically on the Medellín Cartel of which he was a member, and was close enough to the truth about the Soviet operation, that either party could have concluded that Lehder had to be silenced<sup>11</sup>. The beauty of simply turning him over to American law enforcement authorities was that it improved the public image of these authorities, even though all they were really doing was acting as disciplinary agents for the drug-trafficking organisation.

Another example of this practice was provided by Ramon Milian Rodriguez, a Miami-based CPA who managed a significant proportion of the drug money earned by Colombia's Medellín Cartel [see page 97]. While in the process of taking \$5.3 million in cash out of the United States in May 1983, he was arrested and subsequently convicted of racketeering<sup>12</sup>. Rodriguez was employed by the cartel to set up safe houses for collecting, counting and packaging the cash. He then arranged shipment of the money, a complex laundering process, to various banks. All the banks in Panama were used by Rodriguez in the process. Eventually, he explained, most of the money returned to him, which he then invested in real estate, stocks, bonds and Certificates of Deposit for the cartel.

When Rodriguez first set up the operation, Manuel Antonio Noriega was an army colonel in charge of Panama's intelligence service. Rodriguez testified before a US Senate Subcommittee in 1988 that he believed General Noriega had 'very adroitly used the American law enforcement agencies to surgically extract me from the operation, while leaving the operation intact for him and his cronies to continue working'<sup>13</sup>. The tip-off for Rodriguez's arrest was an anonymous wire, presumably sent by Noriega, from Panama to the South Florida Task Force on drug interdiction, alerting them to Rodriguez's plans<sup>14</sup>.

But there are other possibilities worth considering. Rodriguez states throughout his testimony that he was strongly anti-Communist. In 1980 or 1981, Cuban intelligence, the DGI, had tried to recruit him to their operation, but he had turned them down. At about the same time, a war started between the Medellín Cartel and the Cuban-sponsored M-19 revolutionaries. Rodriguez states that he advised the Cartel on how to fight the war using terrorist tactics, and then advised against cooperating with the M-19 after the dispute was resolved. Rodriguez further explains how he cautioned the Cartel about the measures he saw being taken by Cuban intelligence to penetrate and obtain control of the Cartel. Finally, Rodriguez explained how he was especially careful in his dealings with Noriega to ensure that 'Noriega was powerful enough to serve us but never let him get powerful enough to control us'. While the telex to Miami that triggered Rodriguez's arrest may have come from Noriega, under the circumstances it would also be logical to suspect that a Cuban or Soviet intelligence agent might have been behind it.

Through the use of information gained by infiltrating the various drug organisations, the Soviets have no need for direct (tactical) control of all Latin American operations. Indeed, it is better that they maintain their distance and that even insiders should remain unaware of the leverage (control) the Soviets can exert when necessary. This oper-

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ating principle can be seen reflected in a secret resolution adopted at the Tri-Continental Conference held in Cuba in 1966, which stated as the sixth operating principle:

*To back up resolutely the campaign of the drug addicts, defending it in the name of respect for individual rights. To maintain completely apart the cadres of the Communist Party from the channels for narcotics and their traffic, so that this source of income could not be linked with the revolutionary action of the Communist Party although we must combine fostering the fear of atomic war with pacifism and with the demoralisation of youth by means of hallucinating agents'<sup>15</sup> [emphasis added].*

Following the decision to have Cuban intelligence agents infiltrate all Latin American operations, the Soviet Defence Council gave further instructions, again through the Czechoslovak Defence Council, this time for Cuba to establish its own production and trafficking operations in various Latin American countries. This provided a first-level backup to the indigenous operations. Cuba now moved rapidly to establish narcotics activities in Mexico and Colombia. The resulting Cuban drug network set up in Colombia was manned by Colombians but directed by Cuba. Czechoslovak intelligence helped establish the operation and the Soviets were involved in both planning and approval. As soon as the new arrangements were underway in Mexico and Colombia, the Cubans, with the assistance of the Czechoslovaks, expanded into Panama and Argentina, and, with the assistance of East Germany, into Uruguay and Jamaica.

Cuba and Czechoslovakia also developed joint operations in Chile. Danislav Lhotsky, a Czechoslovak intelligence agent, was in Chile officially under an economic cover. His instructions were to develop in concert with the Cubans production and distribution networks in Chile first, and then to expand the network into Argentina and Brazil. When Lhotsky returned to Czechoslovakia in 1967, he was awarded the Order of Red Star for his successful work in building the drug network in Chile.

One of Cuba's early contributions to the drug operation in Chile – identified in a US Drug Enforcement Administration (DEA) intelligence report – was the recruitment of the Marxist Senator Salvador Allende, who would later become President. Allende was also present at the Tri-Continental Conference. He proposed creation of OLAS – the Latin American Solidarity Organisation – as a 'united front advocating armed revolution' and was elected its first leader. During Allende's presidency drug-trafficking flourished. In 1973, US authorities seized \$309 million worth of cocaine produced in Chilean laboratories<sup>16</sup>.

In Argentina, the Czechoslovak drug operation was established by one of Czechoslovakia's most successful agents, Oldrick Limbursky, who was functioning in Argentina as a representative of a Czechoslovak export company. He built the drug network in Argentina and then expanded it into Brazil.

In short, the Cubans were highly effective in establishing operations throughout Latin America. Both Fidel and Raúl Castro were enthusiastic and pushed hard to have drug activities expanded faster than the Soviets deemed prudent. Fidel Castro's first visit to Czechoslovakia was particularly noteworthy in this respect. His visit coincided with an extended visit to Moscow following the Cuban Missile Crisis. He was annoyed, to say the least, and spent roughly ten days complaining to top Soviet leaders about their general lack of consultation with him. Then he went on to Czechoslovakia.

The conversations with Fidel were most difficult, Sejna explains. Fidel thought he could destroy capitalism overnight. He wanted to exploit crime for revolution and use the

knowledge of people already corrupted by drugs, which was flowing in from the Cuban infiltration operation, to help speed the sale of drugs. The drugs will help us, Sejna recalls Castro emphasising, in our defence, in obtaining money, and in liquidating capitalism.

Fidel was absolutely adamant. This episode, in fact, was one reason why the Soviets regarded him as an anarchist more than as a Communist. The Czechoslovak officials argued long and hard to convince Fidel that they needed to prepare for the next twenty years, not just for tomorrow. It was not possible, they stressed, to change the old generation. We can corrupt them and exploit them through crime to obtain information and to influence decisions. But the focus for significant change had to be the younger generation. These were the people that we needed to work on to change the military, to retard scientific development, and to influence government leadership. This is why American youth had been selected as the primary target for the drug offensive.

To communicate Soviet drugs strategy more decisively and clearly to Fidel, Czechoslovak officials organised a detailed briefing on Khrushchev's strategy of 'peaceful coexistence', which was designed, as Khrushchev had explained to high-level Czechoslovak officials in 1954, not to befriend the Americans, **but to lead them to the grave more quickly.** The whole operation was laid out so that Fidel would understand how the use of drugs was integrated into the overall strategy and, therefore, why it was not possible simply to isolate drugs and treat drug-trafficking as an independent operation. drug-trafficking had been designed as an integral part of a coordinated strategy, and it was essential that Fidel understood the importance of this strategy for the long-range, systematic destruction of capitalism.

In addition to production and trafficking, Cuba was also involved in research and development of new drugs. In the fall of 1963, Raúl Castro's deputy went to Czechoslovakia for assistance in obtaining special equipment for producing drugs in Colombia and for manufacturing synthetic drugs as part of an experimental program in Cuba. The actual equipment was picked up by Raúl Castro in April 1964, when he stopped over in Prague after a visit to Moscow. Subsequently, the Czechoslovak chief of the Health Administration of the Rear Services, Colonel-General Miroslav Hemalla, accompanied by two subordinates and two technicians, flew to Cuba to sign an agreement on medical cooperation (a cover for drug research), to teach the Cubans how to operate the equipment, and to instruct Castro to begin local production of drugs in the Dominican Republic. This was part of the Soviet decision to produce drugs locally whenever possible, rather than ship them in from the Soviet Union or Eastern Europe. Cubans were to be used as the operators, so as to keep the Soviets 'clean'.

Following these various measures to penetrate existing drug organisations and then to set up Cuban operations throughout Latin America, the Soviets ordered the formation of still another set of backup production and distribution networks all over the region – this one organised directly by selected East European intelligence services. Czechoslovakia's first target was Colombia. To kick-start the new operation, the Soviets recommended that the Czechoslovaks should recruit one of the key individuals from Cuba's drug network in Colombia, a retired Colombian military officer who went by the name of Kovaks. The Top Secret code name for the Czechoslovak operation in Colombia, 'Pyramid', was selected to mislead people into associating the new initiative with the Middle East. The Czechoslovak officer in charge of this operation was the first deputy at the Ministry of

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Interior. Shortly afterwards, he became the Minister of Interior. Amazing through it may seem, some in the West do not even appreciate that in the overt Communist system, the Minister of Interior is not the person in charge of natural resources or parks, which is what Westerners usually associate with the title. Rather, the Minister of Interior is in charge of 'interior security'; that is, civilian intelligence and the secret police.

Kovaks travelled to Czechoslovakia in April 1964 with a plan for the new operation to be approved by Czechoslovak intelligence. To cover his trip, he first went to Mexico, where he was provided with a forged passport at the Czechoslovak Embassy. From Mexico he flew to Vienna, where he was provided with a Czechoslovak passport to use on the third leg of his journey.

The final plan that he brought with him for the new activities in Colombia was first taken to the Soviet Union for approval. Then the plan, modified to incorporate last-minute Soviet suggestions, was presented to the Czechoslovak Defence Council. The plan set forth guidelines and planning estimates, the most important of which were:

1. With help in obtaining the necessary equipment, production of cocaine would begin within six months.
2. The distribution network would be in operation in less than six months.
3. Initial distribution would be into the United States and Canada. Later, the distribution would be extended to Europe.
4. Distribution would be kept out of the local market.

At the presentation of the joint Ministry of Defence and Ministry of Interior plan, the Minister of Defence explained that twelve people had already been recruited for the operation and that eight of them had already been cleared in two ways: first, by the Communist Party of Colombia, and secondly, by a long-time Czechoslovak intelligence agent who was then a high official within Colombia's internal security ministry. The plan was unanimously approved by the Czechoslovak Defence Council.

Because the most effective Cuban drug operation was developing in Mexico, the Soviets now directed the Czechoslovaks to infiltrate and gain control of this operation. The Czechoslovak Top Secret code name for this operation, 'Rhine', was selected to mislead people into associating it with Europe. The Czechoslovak agent who was responsible for this initiative, Major Jidrich Strnad, had been operating in Mexico under cover of an export company. His Zs control officer was Colonel Borsky.

The Cubans had been especially effective in recruiting Mexicans to establish production and distribution networks and in using the associated corruption information for blackmailing Mexican officials. The Soviets were especially impressed, and one of the main reasons for directing Czechoslovak intelligence to infiltrate the Cuban operation was to learn the secrets of their success in Mexico.

Recognising the strategic location of Mexico, the Soviets further directed the establishment of a *second* Czechoslovak operation in Mexico which was designed to complement the 'Rhine' initiative. The code name of this second operation was 'Full Moon'.

This drug campaign had two purposes. The *first* was to develop an extensive network for smuggling drugs into the United States. The *second* was to train intelligence agents who would then be inserted into the United States and Canada, with instructions to penetrate drug distribution networks. Through their contacts into supply networks in Mexico, they were to access the supply network and gradually take control of the drug



businesses in the United States and Canada. This was a 'push-pull' drug operation. The name '**Full Moon**' referred to the time when Soviet Bloc agents would be in control of most major groups in the United States and Canada. Mexico, it should be noted, has also been an important country in the Chinese drug offensive.

With both the Soviets (initially through the Cubans) and Chinese having targeted Mexico, it comes as no surprise that Mexico is one of the primary drug-trafficking routes into the United States for heroin, cocaine and marijuana. For identical reasons, Canada is another primary drug-trafficking route into the United States.

Czechoslovak intelligence was also involved in the Cuban operation in Panama, under the code name '**Pablo**'. A Cuban operation was set up, too, in El Salvador. At a meeting on the financing of the Communist Party of El Salvador, Sejna remembers that the Soviets directed the Cubans to provide the financing for that Party out of their profits from the El Salvador drug operation<sup>17</sup>.

A separate Soviet operation intended for the 'benefit' of those who regularly seek the warm sands and seas of the Caribbean islands was directly targeted to take advantage of the booming Caribbean tourist trade. The Second Secretary of the French Communist Party (a long-time KGB agent), together with the First Secretary of the Communist Party of Guadeloupe, conceived the idea of distributing drugs to Caribbean tourists. Their objectives were to raise money out of the tourist trade and to obtain blackmail information on vacationing Americans and other members of the bourgeoisie.

They helped establish the operation and provided recommendations on whom to recruit to run it. The operation was then turned over to two Czechoslovak intelligence officers, one from military intelligence and one from the Ministry of Interior. Both officials had been born in France and spoke fluent French. Guadeloupe was the centre of the operation, which serviced Martinique and other islands. The monies earned in the late 1960s from this initiative proved adequate to finance all Communist intelligence operations in Guadeloupe, Martinique, Suriname, Haiti and most of France.

In the early 1960s, the Soviets were rapidly building organisations throughout North, Central and South America and the Caribbean. Other Soviet satellites directly involved as Soviet surrogates, in addition to Czechoslovakia and Cuba, were Hungary, East Germany, Bulgaria and Poland. Understandably, most of Sejna's knowledge was of the Czechoslovak dimension of the drug strategy. The other East European satellites identified above are not dealt with in detail in this analysis, but they were all deeply involved in the Soviet drug offensive. Romania and Albania were not part of the formal Soviet-directed offensive because the Soviets did not trust their security. Albania had asked to participate, emphasising its strong intelligence network in the Balkans and the Middle East. But rather than bring Albania into the operation, the Soviets decided to provide Albania with the money to purchase the necessary equipment, so that Albania could proceed as an 'independent' drug promoter.

Countries where Sejna had direct knowledge of organisations which had been established by the mid-1960s included Canada, Mexico, Panama, Argentina, Chile, Brazil, Colombia, Costa Rica, Uruguay, Paraguay, Brazil, Peru, Guadeloupe, El Salvador, the Dominican Republic, Jamaica and quite naturally, the United States. To this list should be added countries where organised crime operations that were critical to the drug-trafficking network, were being developed. One example of such a country is Venezuela, which the Soviets had decided in 1960-61 to use as a centre for mafia organisation, operations

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and money-laundering in the Western hemisphere.

The drugs initially chosen for distribution were opium, heroin, morphine, marijuana and synthetics such as LSD. While cocaine was not prominent at that time, by 1961 the Soviets, in analysing the drug scene, had concluded that cocaine was, to borrow one of their favourite phrases, the 'wave of the future'<sup>18</sup>. This revelation to Sejna came during a meeting in Moscow in 1964 which had been convened to discuss and coordinate deception planning. In attendance from Czechoslovakia were the head of the Military Section of the Administrative Organs Department, the deputy chief of the Main Political Administration, the deputy chief of Zs (military intelligence) and head of strategic intelligence, and Jan Sejna. The Soviets present were the deputy chief of the Main Political Administration, the deputy chief of GRU [Soviet Military Intelligence] and head of strategic intelligence, and General Boris Shevchenko, the head of the Department of Special Propaganda, who ran the meeting.

It was at this meeting that Shevchenko introduced the term '**Pink Epidemic**'. In discussing the future, he stressed the potential of cocaine. It was highly preferable to heroin, he explained, because it was so much easier to produce and because they believed that many more people could be reached with cocaine than with heroin. The Soviets were so impressed with cocaine's potential, in fact, that they spoke in terms of its becoming an epidemic, a 'white epidemic'. To 'serve and extend' the epidemic, Shevchenko explained that a separate production and distribution base was to be built, commencing immediately.

This new cocaine operation was to be referred to by the aforementioned cover name, '**Pink Epidemic**'. In the beginning, the lead countries in establishing the cocaine production and distribution base were the Soviet Union, Czechoslovakia and Cuba. Czechoslovakia immediately began a special technology program to develop the necessary production techniques. This operation was run by military intelligence and the Health Administration, under the control of military counter-intelligence.

Necessary production experimentation was conducted at a top-secret scientific research centre at Milovice. The operation was facilitated by the Cubans, who learned the crude techniques that were used in South America and then passed the information to Czechoslovak intelligence. The Czechoslovak scientists took the procedures and developed more professional mass-production techniques.

Thus, between 1960 and 1965, the Soviet Bloc intelligence services, directed from Moscow, established drug production, distribution and money-laundering operations throughout South, Central and North America. Only local personnel who passed stringent security background investigations were used to run the operations, which were discreetly managed by Soviet Bloc or Cuban intelligence agents who, as a general rule, were specially trained in the Soviet Union. Future drug-traffickers from all over the world were taught the narcotics trade in East European and Soviet training centres. Additional training centres were later established in North Korea, North Vietnam and in Cuba. These graduate criminals became controlled Soviet narcotics trafficking agents. The initial trafficking was in heroin, marijuana, and synthetics. However, with effect from 1964, a special network was constructed specifically to serve and extend the coming cocaine epidemic. ■

### References to Chapter 3:

1. For a more detailed account, see *We Will Bury You, op. cit.*, pages 45-50.

2. Biographies of Fidel Castro describe the problems he had obtaining military equipment in 1959 from the Soviet Union, Yugoslavia, and the United States. Some arms and ammunition were obtained

from Belgium in mid-1960. The first Czechoslovak weapons arrived in late 1960. Tad Szulc, *Fidel: A Critical Portrait* (New York: William Morrow and Company, Inc., 1986), page 498. Peter G. Bourne, *Fidel: A Biography of Fidel Castro* (New York: Dodd, Mead & Company, 1986), pages 188-189.

3. 'Revolutionary centre' is the formal designation of a region selected and then prepared to promote the revolutionary situation throughout the zone in which the centre is located and to support Soviet military operations in the event of war. The basic criteria applied in establishing revolutionary centres are the need for such centres to have political influence throughout the zone, to supply revolutionary forces for deployment in other countries in the zone, to supply sabotage material for use throughout the zone, to be a centre for the education of cadres, and to be directly useful for Soviet military operations in the case of global war and for surrogate forces or neighbouring forces in revolutionary wars.

4. In the summer of 1963, a Czechoslovak intelligence report stated that Cuban intelligence agents had successfully penetrated 69 percent of the Latin American countries. In most cases, the penetration had been through Mexico. Additionally, with the help of Spanish communities, they had placed seven agents in the United States.

5. In 1984, Clyde D. Taylor, Acting Assistant Secretary, Bureau of International Narcotics Matters, Department of State, told Congress that reports on the involvement of the Cuban Government in narcotics trafficking had first reached the US Government in 1963. US Congress, Senate, *Drugs and Terrorism, 1984*, Hearing Before the Subcommittee on Alcoholism and Drug Abuse of the Committee on Labour and Human Resources, August 2, 1984 (Washington D.C.: US Government Printing Office, 1984), page 41. Rachel Ehrenfeld has written that a secret Drug Enforcement Agency [DEA] report leaked to the *Miami Herald*, November 20, 1983, identified 1961 as the beginning of Cuba's involvement in drug-trafficking: 'Narco-Terrorism and the Cuban Connection', *Strategic Review*, Summer 1988, page 57. Arthur M. Schlesinger, Jr. in *Robert Kennedy and His Times* (Boston: Houghton Mifflin Company, 1978), page 504, reports that a Federal Narcotics Bureau document of July 1961 reported rumours in the Florida Cuban exile community that Santos Trafficante, Jr., one of the organised crime bosses with ties into Cuba who was involved in the CIA assassination operation, was Castro's outlet for drugs in the United States. Another news report stated that DEA agent Avelino Fernandez broke open the Cuban drug connection to Noriega in 1978 and that Fidel Castro was specifically identified as having been involved with drug-trafficking since 1964. Michael Hedges, 'Picture Shows Castro, Noriega, del Cid at Secret Meeting', *Washington Post*, January 18, 1990, page A5.

6. Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, pages 182-183.

7. Infiltrating banks and financial institutions, while important when Khrushchev was in power, was made even more important when Brezhnev became General Secretary in 1964.

8. *The Cuban Government's Involvement in Facilitating International drug-traffic*, Joint Hearing Before the Subcommittee on Security and Terrorism of the Committee on the Judiciary and the Subcommittee on Western Hemisphere Affairs of the Foreign Relations Committee and the Senate Drug Enforcement Caucus, United States Senate, Miami, Florida, April 30, 1983 (Washington, D.C.: US Government Printing Office, 1983), pages 10, 26-27.

9. See Rensselaer W. Lee III, 'Why the US Cannot Stop South American Cocaine', *Orbis*, Fall 1988, page 11.

10. 'Interview with Carlos Lehder Rivas, Reputed Colombian drug-trafficker', in Uri Ra'anan et al., *Hydra of Carnage* (Lexington, Massachusetts: Lexington Books, 1986), pages 433-435.

11. As an example of this type of concern, the former Consul General of Panama, José I. Blandón Castillo, testified that 'we had information to the effect that the Medellín Cartel was... very concerned with Noriega because Noriega was being too visible. He was preventing them from what they call business, and they were trying to find a way to eliminate him'. US Congress, Senate, *Drugs, Law Enforcement and Foreign Policy: Panama*, Hearings Before the Subcommittee on Terrorism, Narcotics and International Operations of the Committee on Foreign Relations, February 10, 1988, Stenographic Transcript, pages 52-53.

12. US Congress, Senate, *Drugs, Law Enforcement and Foreign Policy: Panama*, Hearings Before the Subcommittee on Terrorism, Narcotics and International Operations of the Committee on Foreign Relations, February 11, 1988, Stenographic Transcript 1.

13. *Ibid.*, page 86.

14. It does not make logical sense for Noriega to turn in Rodriguez to gain control, because turning in Rodriguez would not accomplish that objective. If Noriega did turn in Rodriguez, therefore, it would seem logical to search for another reason. One possibility is that Noriega was simply assisting US drug control operations in Operation Pisce, which was investigating money-laundering in Panama, or appearing to be assisting while actually performing a favour for someone else. As in many situations, a combination of various considerations may well have been involved.

15. Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, pages 48-49, citing translations provided by Professor Herminio Portell-Vila, former history instructor of Fidel Castro at the University of Havana.

16. Data on Chile in the early 1960s is contained in the study by Robert Workman on narcotics traf-

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ficking for the National Defence University. He writes that a DEA intelligence report dated March 31, 1982, describes a 1961 meeting of high-ranking Cuban officials, 'including revolutionary leader and President of the National Bank of Cuba, Che Guevara, Captain Moises Crespo of the Cuban secret police, and Dr Salvador Allende, a senator and future Marxist President from Chile, to discuss establishing a cocaine trafficking network'. The report was described in a *Miami Herald* newspaper story, and Workman writes that intelligence agents stated that the article was accurate. Robert B. Workman, *International Drug-trafficking: A Threat to National Security* (Washington, D.C.: National Defence University, Research Publication Directorate, June 1984), unpublished.

Also, as James R. Whelan reported: 'At the Tri-Continental Conference in Havana, then-Senator Salvador Allende proposed the creation of OLAS – the Latin American Solidarity Organisation – as a 'united front... advocating armed revolution'. Allende was then elected to head OLAS. Once in the Chilean Presidency, he presided over a dramatic expansion of illicit drug activity in that country. According to one source, during the final year of Allende's presidency (1973), US authorities seized \$309 million worth of cocaine from Chilean laboratories. The drug trade was said to yield \$30,000 per month in pay-offs to the Popular Unity political parties in Allende's coalition. One of the first acts of the new military government headed by Gen. Augusto Pinochet was to crack down on the drug trade, working closely with US agencies to do so'. James R. Whelan, *Out of the Ashes: Life, Death and Transfiguration of Democracy in Chile, 1833-1988* (Washington, D.C.: Regnery-Gateway, 1989), pages 227-228, 592.

17. Robert Workman cited an interview with a US citizen who was kidnapped and held for ransom for about three months by the Revolutionary Armed Forces of Colombia (FARC), a Marxist guerrilla group. The victim reported as follows: 'The FARC, M-19, and Ejercito Popular de Liberación (EPL) are all really consolidated, they are really one family controlled by Cuba.... I was in their camp when a Cuban was at a blackboard instructing some guerrillas. One of the guerrillas asked him: 'What happens to all of this money? You control the drug-traffic, you're taking in millions of dollars, and I don't see any money in our camp. They just give us bare necessities. You get food, clothes, and shells for your rifle and you do not get anything else'. The Cuban adviser's answer was that one half of the money was being sent to El Salvador. 'That we are liberating El Salvador. When El Salvador is liberated, then they will turn around and – using the economies of El Salvador, Nicaragua and Cuba – funnel funds into Colombia and help us, so we can overthrow the government here'. Robert B. Workman, *International Drug-trafficking A Threat to National Security* (Washington, D.C.: National Defence University, Research Publication Directorate, June 1984, unpublished, *op. cit.*), pages 13-14.

18. Many people are surprised that the Soviets recognised the potential of cocaine as early as 1961, especially since the problems posed by cocaine did not become well known in the United States until the late 1970s or early 1980s. This can be illustrated by recalling the attitude of President Carter's drug adviser, Peter Bourne, who viewed cocaine as pleasurable and benign and could not understand why DEA was making such a fuss over the increase in cocaine trafficking. The Yale University psychiatrist and drug historian David Musto has reminded us, however, how easily we forget. Early in this century, he explains, cocaine was legal and its use began to grow. Prices fell, and 'sniffing, swallowing and injecting of cocaine became widespread'. By 1910, cocaine had been transformed from 'a miracle drug to the most dangerous drug in America'. In his annual message to Congress that year, President William Howard Taft said: 'Cocaine is more appalling in its effects than any other habit-forming drug used in the United States'. Constance Holden, 'Past and Present Cocaine Epidemics', *Science*, December 15, 1989, page 1377, citing David F. Musto, *The American Disease: Origins of Narcotic Control* (New York: Oxford University Press, 1987).



# KHRUSHCHEV INSTRUCTS THE SATELLITES

In 1962, Khrushchev formally extended the Soviet narcotics operation to the East European satellites. The strategic leaders (First Secretaries, Premier Ministers, Ministers of Defence, Chiefs of General Staff, and special assistants) of the satellites were summoned to attend a secret meeting in Moscow to discuss negative developments in the socialist economies. Romania, Albania and Yugoslavia were not present. Sejna was one of the officials in attendance. High-level Soviet officials attending the meeting included Nikita Khrushchev, Leonid Brezhnev, Mikhail Suslov and Andrei Kirilenko. It was at this meeting that Khrushchev formally laid out the Soviet strategy. Mao Tse-tung and the Chinese were smart, he began, referring to the drug business. They were also more imaginative and operative. Why should we let the Chinese have a free hand in this world market, he asked, and then he answered his own question. The Chinese were good, but the Soviet Bloc intelligence services had a much superior organisation and should move as fast as possible to use drugs and narcotics both to cripple capitalist society and to finance more revolutionary activities.

Khrushchev then discussed the many benefits to be derived from this business. It would provide a nice income and be a source of much-needed foreign exchange to finance intelligence operations. It would undermine the health and morale of American servicemen. Because people on drugs would be undependable in crises or emergencies, the drug business would 'weaken the human factor in the defence situation'.

Khrushchev dealt with the impact on education at length. American schools were high-priority targets, because this was where the future leaders of the bourgeoisie were to be found. Another high priority target Khrushchev identified was the American work ethic, pride and loyalty, all of which would be undermined through drugs. Finally, drugs and narcotics would lead to a decrease in the influence of religions and, he added, under certain conditions, could be used to create chaos.

'When we discussed this strategy', Khrushchev concluded, 'there were some who were concerned that this operation might be immoral. But we must state categorically', he stressed, 'that anything that speeds the destruction of capitalism is moral' [= Lenin - *Ed.*].

Only a few questions were raised by those attending the meeting. Janos Kadar, the

First Secretary from Hungary, expressed concern that the drug operation should not interfere with the progress that had been achieved under peaceful coexistence. He was referring to the economic and technical assistance that had begun flowing in from the West. Accordingly, he suggested that Third World countries that were not regarded with suspicion by the United States should be used to run the operations.

This, indeed, has been one of the techniques employed to maintain a safe distance between the Soviet Bloc countries and the actual running of narcotics operations. Throughout Latin America, for example, while Soviet Bloc intelligence agents exercise overall control and direction, indigenous personnel are heavily relied upon to run the actual operations. This technique can also be seen in respect of operations within the Soviet Bloc that have been designed to service Western Europe. For example, the US Drug Enforcement Agency prepared a summary report on the rôle of Bulgaria in international narcotics trafficking in 1984 for Congressional hearings<sup>1</sup>. A variety of sources, all consistent, were referenced in the report, which covered the 1970-84 time period.

One organisation highlighted in the DEA report was KINTEX, a Bulgarian export-import firm established in 1968. KINTEX was managed by the Bulgarian secret police and acted 'on secret orders from Moscow'<sup>2</sup>. KINTEX was established, according to DEA sources, mainly to provide a mechanism *for using foreign nationals* inside Bulgaria to manufacture and ship narcotics to Western Europe and munitions to the Near East. The foreign operatives were Turkish, Syrian and Jordanian nationals. Coordination meetings included traffickers from Greece, Italy, Iraq and Iran. While Bulgaria was identified in the early 1970s in a classified CIA study as being a 'new centre for directing narcotics and arms trafficking'<sup>3</sup>, all the data in the DEA report on people actually handling drugs refers to foreigners operating inside Bulgaria. The Bulgarian Government's response to US complaints was to deny any involvement: the presence of foreign nationals on their soil constituted no crime and no Bulgarian nationals either inside or outside Bulgarian territory have been implicated<sup>4</sup>.

Another leader to speak at the Moscow meeting was Walter Ulbricht, the First Secretary from the German Democratic Republic. He used the occasion to press for greater German participation. At that time, the Germans did not have a charter to conduct strategic intelligence and therefore, Ulbricht stressed, Germany would require assistance to exploit its resources in Africa, the Middle East, and Latin America. Strategic intelligence, which includes sabotage, terrorism, deception and espionage, was where the narcotics offensive originated and had its home. By 1964, East Germany had been granted permission to begin strategic intelligence operations.

Later in the day over drinks, Khrushchev nudged Sejna playfully with his elbow and, with a gleam in his eye, he revealed the secret name of the Soviet drug-trafficking operation, '*Druzhiba Narodov*' – which, roughly translated, means 'Friendship of Nations'. The clever cover name with its deceptive play on words was pure Khrushchev.

This meeting in Moscow was a unique event. The Soviet narcotics strategy was considered exceedingly sensitive and was assigned the highest security classification. People without an absolute need-to-know would not be told about the operation. Following the meeting, which was the official beginning of the operation, with very few exceptions all coordination and cooperation were handled on a bilateral basis.

The satellite leaders returned to their respective countries and proceeded to develop their individual plans amid the tightest secrecy. Sejna has described the manner in which the Czechoslovak plans were developed, briefed to the Defence Council, approved, and

then implemented. This description provides especially an interesting insight into the manner in which very sensitive operational plans were developed, controlled and kept secret.

The task of developing the plan was assigned to five people, one each from the Administrative Organs Department, civilian intelligence, military intelligence, the Foreign Department and the Military Health Administration. Sejna was in charge as Secretary of the Defence Council. The five people, plus a cook from Sejna's secretariat, were sequestered in a villa at Rusveltova No. 1, which incidentally was where Castro stayed when he came to visit Prague. Their work was monitored by the Soviet adviser to the chief of Zs and by Jiri Rudolf and Vaclav Havranek, who were the Administrative Organs Department officials in charge of military intelligence and military counter-intelligence. Only five other Czechoslovak officials had access to the villa, the Minister of Interior, the Minister of Defence, the Chief of the General Staff, the Chief of the Second Administration (civilian intelligence), and Sejna. After this group had assembled the overall plan, the only people who had access to it were the seven members of the Defence Council.

When the narcotics plan was finished, it was considered more sensitive even than even the annual intelligence plans. Nine copies were made and placed in sealed envelopes and taken to the Defence Council, where they were opened for the members to examine prior to their vote to approve the plan. The Minister of Defence and Minister of Interior jointly presented the plan to the Defence Council. The plan addressed research, development, influence of drugs on humans, testing, production, distribution, money handling, how the profits would be used, and the individuals who would have specific personal responsibilities. During the presentation, the Minister of Interior, Rudolph Barak, explained that 'Not only would this action serve to destroy Western society, but in addition the West will pay high money for it'. Antonin Novotny, First Secretary and Chairman of the Defence Council, asked how much, and Barak responded: 'Enough to finance the entire Czechoslovak intelligence service'.

As soon as the discussion was completed, not even waiting until the end of the meeting as was normally the case, Sejna collected all the copies and resealed them in their envelopes. All but three copies were destroyed. These three copies went to military intelligence (Zs), the Second Administration of the Minister of Interior, and the files of the Defence Council, which were in Sejna's secretariat. No written instructions to implement the plan were issued. The head of each department or agency that had a specific task came to one of the three offices where copies of the plan were held to read that portion on a 'need-to-know' basis. For example, for scientific development and production, the chiefs of the Rear Services and Medical Administration independently came to Sejna's office to read the pertinent portion of the plan. Sejna's job was to make certain each official understood his responsibility. The official was then required to sign a statement saying that he understood the directive, after which the official departed.

This process applied even to the Minister of Defence. All orders were verbal. Reports on progress were due back to Sejna in six months. Sejna himself then assembled and presented these reports to the Defence Council.

A year later, in 1963, Khrushchev, displeased with the speed with which the operation was progressing, directed General Major Nikolai Savinkin, the deputy head of the Administrative Organs Department of the Central Committee of the CPSU (he would become head in 1964 following General Mironov's death in a plane crash), to visit each satellite and Cuba personally and prepare a detailed plan to accelerate and coordinate the



narcotics operation. The Administrative Organs Department is one of the two or three most important departments of the Central Committee<sup>5</sup>. It controls the Ministry of Defence, the Ministry of Interior (KGB), and the Ministry of Justice. This is the department that directed operation '*Druzhba Narodov*'<sup>6</sup>. Other organisations that participated are described in the next chapter.

Savinkin's plan was approved by the Soviet Defence Council and directives were sent to the various satellites. These directives, which came through Sejna as Secretary of the Czechoslovak Defence Council and Chief of Cabinet at the Ministry of Defence, covered a wide variety of actions: research, production, organisation of transportation, organisation of cooperation among satellites in different regions of the world, the need for cooperation in assisting Cuba to infiltrate all Latin American operations and what form that cooperation would take, names of specific people in different countries who would assist in the distribution, and associated propaganda and disinformation. Instructions were also received as to which specific financial institutions were to be used in laundering and transferring money. In the case of Czechoslovakia, at least fifteen different banks in nine countries (including Singapore, Vienna, Argentina and Holland) were identified. The Soviet bank in London became increasingly involved in the transfer of drug profits<sup>7</sup>.

The propaganda and disinformation instructions were especially interesting. Propaganda, disinformation and deception are exceptionally important dimensions of all Soviet operations. Each decision that is made is thoroughly prepared, including the monitoring or oversight, secrecy provisions (that is, who is to be told what), and the 'political plan' to facilitate the implementation.

The political plan is a euphemism for the deception that is to be employed. Disinformation and propaganda are developed to support the basic deception plan. In the narcotics and drug operation, the basic thrust of propaganda and disinformation was to cause the blame to be placed on 'society'. Additionally, and in support of this basic thrust, corruption data would be released to discredit individuals and organisations considered hostile to Soviet interests<sup>8</sup>. There were two different propaganda campaigns – one waged against youth and one against the population at large. This involved the Department of Special Propaganda, the Propaganda Department and the International (Foreign) Department, with a special coordination centre set up in the Administrative Organs Department.

The basic strategy for propaganda and deception had first been set forth in 1961 or 1962 by Soviet General Kalashnik, deputy to the Chief of the Main Political Administration, the ideological watchdog of the Soviet military establishment. Kalashnik was the chief ideologist at the Main Political Administration. Sejna recalls his simple instructions: 'Our propaganda must be directed to our enemy, not to our friends'. The word 'friends' meant drugs and narcotics. Propaganda and deception were to be used to divert attention away from drugs and narcotics, especially insofar as the middle and upper classes were concerned, and to cause these same people to focus their attention on problems of nuclear war, the Vietnam war and anti-Americanism.

† *Editor's Note:* In the late 1960s, UK employees of the Russian bank in London, Moscow Narodny Bank, observed that Russian officers of the institution were conspicuously liberal with entertainment and expense accounts, often inviting lowly members of staff to join them for extended 'liquid lunches'. For very many years, Viktor Geraschenko was either a senior officer or the head of the bank. Under Gorbachëv, Geraschenko was transferred to head the central banking institution and was accordingly seen at successive Annual Meetings of the International Monetary Fund and the World Bank after Russia had acceded to the Bretton Woods institutions. He was 'restored' to the position of head of the Russian Central Bank under President Yeltsin amid the turmoil which overwhelmed the Russian financial markets in August 1998.

These propaganda instructions were extended in 1964 in a letter signed by Leonid Brezhnev which was discussed at a meeting of the Czechoslovak Defence Council. The letter directed that data on the Chinese drug and narcotics trafficking operation should be made public, to advertise China's rôle as the source of illicit trafficking and thus to draw attention away from the Soviet operation. (One of the first articles written for this purpose appeared in *Pravda* on September 13, 1964. It was written by V. Ovchinnikov and was entitled '*The Drug Dealers*': see also page 146, and Note 43, page 152).

In September 1963 the top leadership (First Secretaries, Premier Ministers, Ministers of Defence and Interior and selected staff, a total of up to 15 from each country except for Romania, Albania and Yugoslavia, which were not present) met in Moscow for the annual conference on the plan and tactics to be followed in the coming year. The diplomatic, intelligence and party initiatives – the integrated process – for the coming year, were reviewed by the Soviet leadership.

The principal speaker was Mikhail Suslov, chief ideologist of the Communist Party and one of the key officials in the development of strategic plans. In discussing drugs, Suslov began by pointing out that the decision that had been taken earlier on drug and narcotics trafficking was the right course of action. As the Soviets had assessed Latin America in the 1950s, they had recognised that the Latin American countries were dependent on the bourgeoisie, especially the United States. The Soviets had decided that this had to change: the Latin American countries had to be made dependent on the Soviet Union. The primary instruments to be used were drugs and other forms of corruption, which the Soviets had concluded were widespread throughout the Americas.

The Soviets referred to the revolutionary movement in Latin America as the Second Liberation. The First Liberation had been the liberation from Spain and Portugal. The Second would be the intended liberation from the United States and the bourgeoisie<sup>9</sup>. The Third Liberation would be the transition into Communism.

Suslov explained that it was necessary to disarm anti-Communist and US friends before the Second Liberation could take place. The Soviets believed that the corrupted bourgeoisie had already accepted the idea of revolution, which was in fact a deliberate Soviet-induced deception. The approach taken to encourage acceptance of the notion of revolution was to argue that Latin American countries were destined to proceed through revolutionary stages, in which the changes that would be accomplished turn out to be beneficial. In these early stages, there was, by Soviet direction, to be no mention of socialism or even use of socialistic phrases – to avoid scaring people away from the concept of revolution.

The Soviets asserted that five factors would prove most instrumental in speeding the revolutionary process throughout Latin America:

1. *The US-USSR military balance.* The Soviet Union needed to be strong enough to stop the United States from interfering before the revolution could be started.

2. *Bankruptcy of colonialism.* Through propagandising the exploitation and impropriety of colonial policies and, naturally, the protectionism that went along with colonialism, the United States' ties to Latin America would be weakened and ultimately severed.

3. *Organisation of ideology and material supply of the liberation forces.* Better organisation and a united ideological offensive were required among the liberation forces. The movement had become disjointed under Stalin. Ideological unity was necessary and the supply of material assistance – money, arms, training, organisation – needed to be improved throughout Latin America.

4. *The defeat of the United States in Vietnam.* This was important to split the United States at home and to make it difficult for the United States ever to become involved in foreign wars again. Also, it was important for nationalistic forces to recognise that the United States could not be counted upon to assist its allies against the revolutionary process.

5. *The demoralisation of the United States and its neighbours on both sides, north and south.* Drugs were a principal instrument to be used in bringing about this demoralisation – with demoralisation by drugs to be referred to, as noted, as the ‘**Pink Epidemic**’<sup>10</sup> [see page 33]. The Soviets believed that when the ‘**Pink Epidemic**’ covered the North and South American continents, the situation would be highly satisfactory for the revolution.

Suslov reviewed the situation in Latin America, using data gathered by Soviet intelligence, local Communist parties, and from Cuban and Warsaw Pact intelligence agents who had penetrated the Latin American drug operations. Making special reference to Paraguay, Jamaica, El Salvador, Guatemala, Honduras and Mexico, Suslov asserted that seventy percent of Latin American bureaucrats were tied into (that is corrupted by) drug operations. In Mexico, he said, eighty percent of the bureaucrats were tied into drugs or involved with other forms of corruption. In Latin America, sixty-five percent of Catholic priests used drugs, he said. Catholic priests have been a primary target of Soviet strategy in Latin America<sup>11</sup>.

Four years later, at a meeting in 1967, Boris Ponomarev explained to Czechoslovak officials that according to Soviet estimates, eighty percent of Latin American priests were anti-American, and slightly over sixty percent were inclined to the left<sup>12</sup>. This particular statistic was heavily weighted by young priests, whom the Soviets believed would exert important influence in Latin America over the ensuing twenty years. Boris Ponomarev advanced three reasons for working with these younger priests: to help the revolution move forward, to use the church to help distribute drugs, and to use priests to gain additional information on drug-trafficking networks.

But, reverting to 1963: after reviewing intelligence statistics on the drug business, Suslov discussed two special groups against whom drugs were to be used. The *first* was the bourgeois leadership. *Second* was a group referred to as the ‘lumpen proletariat’ – the unemployed who often turned to crime or prostitution for survival; a somewhat equivalent term to describe this group might be the ‘downtrodden proletariat’<sup>13</sup>. As Mikhail Suslov explained, this group was particularly vulnerable to the lure of drugs. That was all to the good, because it was to the advantage of the revolutionary war movement to destroy this group, as it was useless and a burden. Its members did not want to work. They were the main consumers of drugs and were to be destroyed. The key revolutionary tactic was to prepare a revolutionary élite and these downtrodden proletariat were not part of that élite.

To further the drug business, Mikhail Suslov also emphasised four points:

1. Use Cuba to help establish drug operations.
2. Be certain to obtain security clearances on all personnel first, before involving them in drug-trafficking and handling operations.
3. In the Communist Parties, brief only the First Secretaries on drug activities. The individual Communist Parties were to be kept at arms’ length from drug operations, for two main reasons. First, the Communist Parties were believed to have been infiltrated by foreign agents. Accordingly, knowledge of drug operations was to be kept away from the Parties and all personnel were to be carefully cleared prior to their involvement in drug

activities. Secondly, drug operations yielded money and this in turn meant possible fiscal independence. Drug operations were therefore to be kept out of the hands of the Communist Parties as a means of ensuring their continuing dependence on Moscow. Drug money used to finance foreign Communist Parties would first be channelled to Moscow and then to the various Parties according to their needs.

4. It was important to induce indigenous Latin American intelligence, counter-intelligence and military forces to become more involved in drug operations. These organisations represented important sources of pro-US feelings, and drug-assisted corruption was to be used to undermine such pro-American attitudes.

Khrushchev's style was to sit and interrupt the speaker to make additional points as he saw fit. He first interrupted Suslov to stress the need for caution. 'Comrade Suslov', he interjected, 'is particularly careful. I tried to force him to speed up the drug process – to make the bourgeoisie pay for the revolution – but I agree with him. We cannot take higher risk than we are taking now'. At another point Khrushchev interrupted and explained: 'Some people equate drugs and alcohol, but alcohol is not like drugs. We give vodka to Soviet soldiers and we proceed from success to success'.

Suslov also pointed out that it was necessary to begin creating reserves for the Latin American revolutionary forces, so that their needs would be satisfied when they were ready to step out from the underground. Accordingly, all Warsaw Pact countries were to begin contributing to a Latin America reserves account.

Suslov's speech left nothing to the imagination. Operation '*Druzhba Narodov*' was to be global in scope. The bourgeoisie in all countries were targets. Drugs and narcotics were to be primary weapons for use in the world revolutionary offensive.

As the Soviet '*Druzhba Narodov*' strategy took shape in 1962-64, probably the best, most succinct description of the targeting philosophy was provided to the Czechoslovak leadership in 1964 during a visit to Bulgaria. Todor Zhivkov, First Secretary of the Communist Party of Bulgaria, explained to the visiting Czechoslovak delegation that the United States was the primary target of the Soviet Bloc's drug offensive because it was the worst enemy ('the Main Enemy'), because it was simple to move drugs into the United States, and because there was an unlimited supply of hard money there. ■

### References to Chapter 4:

1. US Drug Enforcement Agency, 'The Involvement of the People's Republic of Bulgaria in International Narcotics Trafficking', in US Congress, Senate, *Drugs and Terrorism*, 1984, Hearing Before the Subcommittee on Alcoholism and Drug Abuse of the Committee on Labour and Human Resources, August 2, 1984 (US Government Printing Office: Washington, D.C., 1984).
2. *Ibid.*, page 66.
3. *Ibid.*, page 58.
4. *Ibid.*, page 61.
5. The importance of this department is also emphasised in John J. Dziak, *Chekisty: A History of the KGB* (Lexington, Massachusetts: Lexington Books, 1988), pages 148, 151-152.
6. The head of the Administrative Organs Department, incidentally, was also the Soviet official in charge of the Soviet arms control operation during the 1960s.
7. Dr Zdzislaw M. Rurarz was a member of Polish military intelligence (ZII) for 25 years, economic adviser to the Ministries of Foreign Trade and Foreign Affairs and to the First Secretary, and Ambassador to Japan before defecting to the United States in 1981. He explained to the author that before he left, he believed the number of Soviet banks, financial institutions, and joint ventures around the world that were available to assist in the money handling process was about 300. Subsequently, he learned from a French source that the number had risen to 400.
8. While there is no known connection, one example of an event which could have been triggered by the Soviets was the drug scandal involving the old Bureau of Narcotics in which US Federal agents

were found to be selling heroin or protecting drug dealers. This scandal was disclosed by Attorney General Ramsey Clark in 1968. It resulted in almost every agent in the New York bureau being fired, forced to resign, or transferred. Edward Jay Epstein, *Agency of Fear: Opiates and Political Power in America* (New York: G. P. Putnam's Sons, 1977), page 105. See also US Congress, Senate, *International Traffic in Narcotics*, Hearing Before the Committee on Foreign Relations, July 1, 1971 (Washington, D.C.: US Government Printing Office, 1971), page 29.

9. Sejna first heard this view on the liberation phases in about 1962 from Andrei Kirilenko, Khrushchev's deputy, at a meeting of the Warsaw Pact leadership. Kirilenko explained that the Soviet strategy was to keep the United States out of the world revolutionary process by building a fire under the American window.

10. 'Pink Epidemic' was the codename for the operation to 'serve and extend' the cocaine epidemic which the Soviets believed would be the wave of the future. See *Chapter 3*.

11. Miguel Bolanos Hunter was a former counter-intelligence officer in the counterespionage section of the Nicaraguan state security apparatus. In an interview for the Oral History Project, International Security Studies Program, Fletcher School of Law and Diplomacy, Bolanos reviewed the origins, structure, and missions of the state security apparatus. With respect to the church, he said: 'To the Sandinistas, the [traditional Catholic] Church is Enemy Number One. There is no doubt about it'. [Testimony of Miguel Bolanos Hunter, in Uri Ra'anani *et al.*, *Hydra of Carnage* (Lexington, Massachusetts: Lexington Books, 1986), page 309].

As Jan Sejna explained religions are viewed as an especially dangerous force within socialist countries and in all countries being prepared for revolution, given the conflict between Marxist and religious morality. [The attack on religion is at the core of the revolution: Gorbachëv proclaimed on 15th December 1987, after all, that 'there must be no let-up in the war against religion because as long as religion exists, Communism cannot prevail. We must intensify the obliteration of all religions wherever they are being practiced or taught' – *Ed.*]. Within socialist countries, the long-term – 50-year – objective was to eliminate the importance and influence of religions. Outside the socialist countries, propaganda, deception, diplomacy and intelligence services were to be used to destroy, influence or use the various religions. Within the Third World countries, religions were viewed as 'temporary friends' because they supported the revolutionary spirit.

Overall, the principal directions of Soviet activity directed against religions were as follows:

- To encourage leading religious centres to support the Soviet policy of peaceful coexistence.
- To compel leading religious groups to deny their support for capitalism and to promote the idea that the rich countries must help the poor countries.
- To support desired political, social and economic changes which will bring the Communists to power in the various targeted countries.
- Through propaganda and deception, to show that socialism is allied with religious groups in the 'fight' for a better life generally.
- To use religious groups to exploit and further disarmament – that is, to exploit the idea that it is against the will of God to kill people. [For the revolutionaries are content invoke God, of course, when it suits their purposes to do so – *Ed.*].
- To build a mass psychological perception of nuclear warfare as signifying the end of the world.
- To infiltrate the religious centres with the following order of priority:
  - (1). The Vatican;
  - (2). Moslems;
  - (3). Jews;
  - (4). Buddhists;
  - (5). Reactionary sects.

With reference to 'reactionary sects', Czechoslovak intelligence had three clerical agents within the Vatican in the late 1960s. They were located, Sejna asserted, within the sections responsible for foreign policy, finance and ideology. The Moslems were particularly important because of their rôle within the Middle East and Africa. One consequence of the Arab-Israeli War was that it enabled Soviet Bloc intelligence services to infiltrate all of the leading Moslem centres.

The Jewish community was regarded as an especially important target to assist the Soviet Union to gain economic influence over the West, and as an especially important source for intelligence information, and as a liberal counterweight against right-wing forces. The most difficult religion for the Soviets to manipulate was Buddhism because divergent physical characteristics made the religious order difficult to infiltrate. Reactionary (conservative) sects, which were also anti-Communist, were regarded as having considerable political influence. These sects also desired to achieve control and power, which the Communist plan exploited. In 1967, the Communists had obtained inside information on, or influence over, by their estimate, in excess of 40 percent of the various sects and other religions.

According to the *Communist Manual of Instruction of Psychological Warfare*: 'As it seems in foreign nations that the church is the most ennobling influence, each and every branch and activity of each and every church must, one way or another, be discredited. Religion must become unfashionable by

demonstrating broadly, through psychopolitical indoctrination, that the soul is nonexistent, and that Man is an animal'. Reprinted in *Brain-Washing: A Synthesis of the Communist Textbook on Psychopolitics* (Melbourne, Victoria, Australia: New Times Ltd., 1956), page 35. [See also Introduction to the Second Edition of the present work, pages IX to XI – Ed.].

12. These figures are supported by Western surveys. For example, by the early 1970s, 78 percent of all Catholic priests in Chile identified themselves as being on the left politically. James R. Whelan, *Out of the Ashes*, op. cit., page 712.

13. Sejna had first heard the term 'lumpen proletariat' in the early 1950s. At that time, it was the label attached to that portion of the proletariat who were not rising up to oppose the bourgeoisie; that is to say, those who were not easily recruited to the Communist movement.

In 1963, the term took on new meaning. It was now used to describe the unemployed and people who did not want to work or contribute. The Soviets believed that such people often turned to crime to support themselves and, indeed, in their view, being unemployed was almost synonymous with being a criminal. Communist studies also concluded that this group of people, in addition to crime, often turned to drugs – both the sale of drugs and their use. As a result of this linkage to crime, drugs, and other immoral activities, Soviet and East European analysts concluded that the lumpen proletariat could be profitably used to accelerate the destabilisation of the United States.

This conclusion was further strengthened because the big cities were considered to be the principal revolutionary centres within the United States, and life in these cities was becoming more and more dominated by the lumpen proletariat. Additionally, military service draftees were believed to be extensively recruited from the so-called lumpen proletariat, which was thus a high priority target for corruption because of their potentially adverse effect on the military. This was not a recruitment exercise. Members of the lumpen proletariat were still not considered suitable for the revolutionary movement. But they were a key target because of the damage they could do to capitalist society through destabilisation and demoralisation, and therefore were an asset to be used to help in the revolutionary process – before being destroyed following the revolution.

Within the lumpen proletariat, the minorities were identified as especially important because they constituted over 70 percent of it, according to the relevant Soviet studies. Accordingly, race became an integral dimension of the targeted class, with Black people and Hispanics being the two most important minorities. The Soviets believed that there were growing divisions between the Whites and the non-White minorities, and that the US Government could not solve the problem. As Moscow analysed the situation, capitalism was dying, and as the economic and social situation deteriorated, more and more members of the lumpen proletariat would be generated. The effect of this conclusion was to highlight the importance of the lumpen proletariat even further.

By 1967, the concept of lumpen proletariat was dominated by the image of the inner-city poor, especially the minorities. Most of the Third World was also regarded as lumpen proletariat. Even so, whereas, in 1963, this group was viewed as the main consumer of drugs, still, the main target to whom the drugs were to be marketed was not this group, but rather the élite. By 1967, this had also changed, with respect to discussions of Soviet narcotics strategy directed against the United States, and the lumpen proletariat, which by this time and in this context meant the inner-city poor and mainly Black people and Hispanics, became a key target for drug-trafficking and the main group to be recruited to do the marketing. Also, by 1967, Soviet strategy included the promotion of race warfare within the West, and this strategy was reflected in Soviet propaganda, disinformation and even industrial contracting policies.



# ORGANISING FOR 'DRUZHBA NARODOV'

In the West, when people speak of intelligence operations, what they normally have in mind are covert operations run out of a nation's intelligence service, such as the CIA, KGB or GRU. This concept does a great disservice to Communist intelligence operations, which involve many agencies, not just the KGB or GRU, and which are generally not directed by the intelligence services, but rather by the Defence Council, Administrative Organs Department, or another appropriate Party organisation. **That is, intelligence operations are Communist Party operations designed to serve State interests, which only the Party can establish<sup>1</sup>.** The intelligence service is strictly an instrument of *Party* strategy, again in contrast to the United States which has no counterpart strategy. The operation known as '*Druzhba Narodov*' – Khrushchev's clever 'Friendship of Nations' plan – is especially interesting because of the insight it provides into the nature of Soviet intelligence operations.

Even in the beginning, in the mid-to late-1950s, the drug and narcotics operation involved more than intelligence officers. Medical science personnel were heavily involved in analysis, research and testing. The principal motivating force was Nikita Khrushchev, the First (later, General) Secretary of the Communist Party of the Soviet Union (CPSU). Initial planning was conducted by the special joint civilian/military Czechoslovak/Soviet team mentioned previously. The incorporation of drug-trafficking strategy into national security planning was handled by a special committee under the direction of Leonid Brezhnev. This committee, which met between the fall of 1956 and the spring of 1957, was responsible for a comprehensive upgrading of Soviet strategy to bring it into the nuclear age. Brezhnev's deputy was Mikhail Suslov, the head Soviet ideologist. Subcommittee leaders were Marshal V. D. Sokolovskiy (military), Dimitry Ustinov (military industry), Boris Ponomarev (foreign affairs) and General Nikolai Mironov (intelligence).

Two revisions of Soviet strategy with respect to drugs and narcotics emerged during the course of this review. The *first* involved an official recognition that drugs could be important weapons for use in weakening opposing military forces<sup>2</sup>. *Secondly*, it was realised that drugs could be used to influence bourgeois leaderships in the Third World and among Social Democratic parties in particular, although none were to be excluded.

Responsibility for market analysis and targeting was assigned to the International Department of the CPSU. The International Department was also involved in the collection of corruption information on foreign leaders and its use in either blackmail, intimidation or exposure operations. This department was also heavily involved in propaganda



planning and would probably have made the critical decision to release information on Chinese drug-trafficking to the propaganda operation.

The Main Political Administration of the Army and Navy, the department that keeps ideological watch over the military, was also involved in the drug-trafficking operation from the beginning. As early as 1956, the Czechoslovak leadership was advised by Soviet General Kalashnik, the ideologist at the Main Political Administration, about a new view on drugs and other chemicals capable of affecting the mind and behaviour of millions of people. This was one of five new weapons which could 'destroy the enemy before he can destroy us'. The other weapons included the ideological offensive, which meant propaganda and deception, good foreign policy designed to split the West, isolation of the United States, and economic and social chaos. It was essential, General Kalashnik explained, that the military should hasten to understand that there were weapons of great effectiveness, other than conventional and nuclear weapons.

A similar explanation was provided by Khrushchev in the early summer of 1963 in Moscow. During an informal discussion, Khrushchev had just criticised Marshal Rodion Ya. Malinovsky for being in far too much of a rush to push his tanks into the West. Then Khrushchev explained that *the Soviets were operating at two strategic levels simultaneously*, to engage the West in war. **The first echelon was deception, disinformation and propaganda. The second echelon was the destruction of capitalism by their own money through drugs.** Once these two echelons have been successful, Khrushchev emphasised, then you can use the third strategic echelon, Comrade Malinovsky – our tanks.

As the Soviet Bloc drug offensive grew and matured, the organisation became more complex – but with control and secrecy remaining extremely tight. This is another characteristic of Soviet operations: just because an operation expands, it does not follow that control over information becomes loose. The Defence Council itself is a case in point. The Defence Council remains small precisely in order to maintain tight control and good security. In the drug business, while many people were involved, few really knew the true purpose of the operation, or even of the massive Soviet involvement.

The principal Czechoslovak organisations that participated in the drug business are identified in *Figure 1* on page 49. The organisational structure applied in Czechoslovakia paralleled the organisational structure in the Soviet Union. Certain organisational names are different: for example, the Czechoslovak counterpart of the Soviet International Department was the Foreign Department; the First Secretary was the General Secretary in the Soviet Union; and the Czechoslovak Second Administration under the Ministry of Interior was the counterpart to the Soviet KGB. There are different research centres in the Soviet Union, and Soviet organisations are larger and more varied; but the essence of the two organisational structures is the same.

The principal differences are that the Soviet organisations make *strategic* decisions of *global* scope, and are larger, and that there are organisations in the Soviet Union which are responsible for foreign Communist Parties and which have no counterpart in Czechoslovakia. This particular distinction could be regarded as especially important.

For example, important inputs to the development of drug-trafficking strategy in Latin America were provided by the local Communist Parties, which would meet each year in Moscow and present their assessments of the progress of their drug operations, making recommendations for new techniques, markets and tactics.

As in all important Soviet operations, the General Secretary was not only informed,

**First Secretary  
Czechoslovak Defence Council  
Joint Committee**

**GOVERNMENT****PARTY**

[Central Committee]

**Ministry of Interior**Administrative  
Organs DepartmentSecond Administration  
*Strategic Intelligence*  
*Agent networks*  
Counter-intelligenceMain Political  
Administration

Finance Administration

Foreign Department

**Ministry of Defence**

Health Department

Intelligence Administration [Zs]  
*Strategic Intelligence*  
*Agent Networks*  
*Special Propaganda*  
*Finance*Propaganda and  
Agitation Department

Finance Department

Rear Services Health Administration

Department of Technical Support  
for Foreign Countries

Science Department

Main Finance Administration

Highest Party School

**Ministry of Finance***Military Section*

Academy of Sciences

Ministry of Foreign Trade  
*Main Technical Administration*

Foreign Ministry

State Plan Commission  
*Military Administration*

**Figure 1: Czechoslovak organisations involved in international offensive drug operations during overt Communism.**

but played the lead rôle. In respect of planning and direction, the real power in the Soviet system resided in the Central Committee departments. One of the two or three most important departments was the Administrative Organs Department, which was the centre for planning and control of drug operations in both the Soviet Union and in Czechoslovakia. This was probably the case in the other satellites as well.

The Administrative Organs Department exercised control and oversight over the intelligence services, the military and (socialist) justice. Thus, it was only natural that the Administrative Organs Department would be the lead Central Committee department in respect of drug operations. It was no mere coincidence that when Khrushchev wanted the drugs offensive to be intensified in 1963, he called upon General Major Nikolai Savinkin, the Deputy Head of the Administrative Organs Department, to visit all participating countries and issue comprehensive instructions. Western analysts might well be advised to pay increased attention to the rôle of the Party and of the powerful Central Committee Departments, especially the Administrative Organs Department. In this regard, it is important to recognise that Savinkin became head of the Administrative Organs Department in 1964, running it until his retirement in 1987, twenty-three years later. (It was not until 1988 that the Soviet press announced that he had stepped down as head of the department).

Within the Administrative Organs Department there were officials whose responsibilities were, in effect, to watch over the military and intelligence organisations. Also, political officers were located within the military and intelligence organisations who, in addition, were members of the appropriate sections of the Administrative Organs Department and who kept their respective section chiefs informed on what was happening in their areas of responsibility within the military or intelligence services. For example, Sejna was the highest ranking political officer at the Czechoslovak Ministry of Defence and, as such, he was also a member of the military section of the Administrative Organs Department. Additionally, in the case of specially coordinated operations (such as drug-trafficking), important departments often had special coordination and control functions not only with respect to their normal responsibilities – for example, over the military and intelligence organisations in the case of the Administrative Organs Department – but over other participating organisations as well.

Another organisation of importance in maintaining control and internal security was counter-intelligence. In the headquarters of (Czechoslovak) military intelligence (Zs), there was a section of military counter-intelligence, which was really a section of the Ministry of Interior (KGB in the Soviet Union) and which also had a responsible controlling official in the Administrative Organs Department.

Also, within both civilian and military counter-intelligence, there were special departments that watched over the counter-intelligence operations and reported on them to the head of the Administrative Organs Department. **The Soviets trust nobody, and their organisational structure has always reflected this principle.** Everyone is controlled three ways. This is one reason why, when several officials from Cuba, Nicaragua, Bulgaria, or from some other Communist state, were found to be involved in drug-trafficking, it was always highly unlikely that these were 'just a few corrupt officials'. The Party was almost certainly well aware of what they were doing, and in fact not only approved of the operation but probably directed it to be carried out.

Indicative of the Party's oversight and discipline in drug operations was the fact that in 1959 the Chief of the Czechoslovak Zs, General Racek, was fired following an

inspection by the Administrative Organs Department official who was in charge of Zs and military counter-intelligence. In his report, he criticised General Racek for not putting the best people into the drug business. Racek had failed to recognise how important the drug business would be for intelligence operations.

Both civilian and military intelligence had narcotics responsibilities. However, because production was controlled by and within the military and because the military was responsible for destroying the ability of an enemy population to support a war effort, primary responsibility for drug-trafficking resided within the military establishment. Civilian intelligence (the Second Administration in Czechoslovakia, the intelligence component<sup>1</sup> within the KGB in the Soviet Union) assisted whenever their resources were better suited to the task and where military intelligence, Zs in Czechoslovakia, did not have opportunities for trafficking in drugs.

Most of the narcotics agent operations were handled within the strategic intelligence sections of the civilian and military intelligence organisations. Agent recruitment, training, and administration were handled by the agent networks branch, but the narcotics operation was run by the strategic intelligence branch. This branch was responsible for establishing production quotas in respect of drugs produced in Czechoslovakia and for coordinating and directing overseas (local) drug production; for coordinating transportation; for managing agent operations; and for overall foreign operations planning.

Counter-intelligence and military counter-intelligence, the business of which is security, were also involved. Their mission was particularly complicated in overseas operations and required the assistance of foreign Communist Parties and strategic intelligence agents operating within the country of interest. Financial records, budgeting, and bookkeeping were handled by special finance sections within each intelligence service.

In the case of Cuba, both the Zs and the Second Administration (and Soviet GRU and KGB intelligence) helped to set up the relevant drugs operation. It was a joint venture from the outset. As explained earlier, when Raúl Castro was in Czechoslovakia in the summer of 1960, he signed assistance agreements with both the Minister of Interior and the Minister of Defence. When plans for expanding the drug operations or reporting on past progress were presented to the Czechoslovak Defence Council, the presentations were made jointly by the Ministries of Defence and Interior.

Between the Ministries of Defence and Interior there was a joint committee which coordinated intelligence operations. This committee decided who would run recruited agents, who would run a particular operation (civilian or military), who could work best in different regions, and so forth. In Czechoslovakia, the co-chairmen of the committee were the First Deputy Minister of Interior and the Chief of the General Staff. Other members were the Chief of Zs and the Chief of the Second Administration in the Ministry of Interior (chief of intelligence in the KGB in the Soviet Union), and their deputies in charge of strategic intelligence. In planning an operation, this committee in the Soviet Union first decided which satellites could do the job most effectively and, within each satellite, which intelligence service, civilian or military, had the best opportunity to do so.

In the late 1950s, a number of particularly important organisations were formed which were given critical responsibilities: the Departments of Special Propaganda in the Intelligence Administrations of the General Staffs. These departments reported jointly to the Intelligence Administration and to the Main Political Administration. They played especially important rôles in collecting data on individuals in foreign countries and in controlling such individuals in time of war. Narcotics strategy, especially that element

associated with the gathering of information on associated corruption, was closely coupled with the mission of the Departments of Special Propaganda. These departments also had important rôles in deception and deception planning, and were often the principal agencies issuing such instructions.

Propaganda was run by the Central Committee's Department for Propaganda and the Departments of Special Propaganda. A special person (a special section in the Soviet Union) at the Administrative Organs Department provided intelligence data derived from the intelligence services and from the Department of Special Propaganda, and issued directions (orders) for the propaganda offensive. In the case of deception operations, again many organisations were involved – the most important of which were the Main Political Administration, the Department of Special Propaganda, the Foreign (International) Department, the strategic intelligence sections of both military and civilian intelligence, and the Elected Secretariat<sup>4</sup>, which was responsible for the oversight of most deception operations.

Both East European and Soviet scientists participated heavily in military and intelligence R&D, including the development, production, and analysis of the consequences of drug and narcotics usage. In Czechoslovakia, the main research activities in support of narcotics trafficking were handled by the Academy of Sciences and by the military research centres. In the Academy, the primary activities were conducted at the Charles Medical University and at the Medical College at Bratislava. In the military, the primary focus or direction was provided by the Military Health Administration, with the work performed in the Central Military Hospital – the Military Medical Education Centre where doctors were trained – and the Air Force Medical Centre.

The Academy of Sciences' activities were governed by one-year, five-year and long-term (fifteen years and beyond) plans consisted of two parts, a regular part and a Top Secret element. The participants involved in putting together the Top Secret part outside the Academy of Sciences were the Administrative Organs Department of the Central Committee, the Health Department of the Central Committee, the Military Administration at the State Plan Commission, the Science Administration at the Ministry of Defence, the strategic intelligence section at the Ministry of Interior, the General Staff (Zs), and the military section of the Finance Department of the Central Committee.

Plans and objectives for research and development of improved drugs and narcotics (that is to say, drugs which would be more rapidly addictive, easier to manufacture, and which would offer 'improved' long-term debilitating mental effects)<sup>5</sup> were contained in the top secret segment of the plans, along with development plans for biological and chemical warfare agents, special chemicals for assassinations, and mind-control (behaviour modification) drugs. As indicated earlier, drugs and narcotics were regarded as chemical weapons.

Analysis of the effects of drug and narcotics trafficking – that is, market analysis – was an especially important Soviet Bloc activity. The most important analysis centres were the Military Political Academy of the Main Political Administration, the Highest Party School and the Academy of Sciences. At the Military Political Academy, the focus was on the military perspective, of course. The Highest Party School granted PhDs in a wide variety of subjects, including both physical and social sciences. Normally sixty percent of the schooling consisted of Marxism-Leninism and forty percent focused on the student's field of specialisation; for example, biology. These institutes were convenient locations for analytical programs because they were separately funded, had ready access to libraries and also had access to research facilities. The principal research was conducted by the faculty.

There were also joint research teams, the members of which came from all the Soviet

Bloc countries. These were usually directed by the Soviet participant, and in many cases the entire team was located at one of the universities or hospitals in Moscow. Over the years, the tendency was towards integration of Soviet Bloc research with increased emphasis on research teams housed in Moscow, probably reflecting the then-KGB chief Yuriy Andropov's interests in maintaining tight control over special activities. As will subsequently be described, research activity on drugs during the 1960s was effective in producing drugs which were intended to limit intellectual development. All Warsaw Pact countries were involved in this research. Cuba was also involved and indirectly attached to the Warsaw Pact research through Czechoslovakia with effect from 1967 onwards.

The Soviet Bloc's intelligence services also had special agents scattered around the world, but concentrated in Europe and the Western Hemisphere, who were not involved in drug-trafficking *per se*, but who observed its effects. General Sejna recalls a special training session for such individuals which was held at the Zs drug-trafficking training centre at Bratislava. The focus of the session's activities was to analyse market opportunities, to recommend measures which would mislead local and national authorities about the distribution of drugs, and to identify vulnerabilities in police organisations and, in particular, opportunities to corrupt or compromise police. Individuals who attended this special training session worked for either military or for civilian intelligence. They were not all Communists. But they were, as General Sejna observed, all very intelligent. One individual was a Canadian university professor.

These special studies were an especially important dimension of Soviet operations. The study activities were not one-shot, *ad hoc* studies, although such activities may be conducted from time to time. The main emphasis was placed on continuing activity involving the scientists, medical doctors, propagandists and intelligence specialists of several Soviet Bloc countries. They continuously examined developing tendencies around the world, as they would say, and identified new marketing opportunities and techniques. As part of Soviet directions to the satellites, specific points-of-contact were established to ensure that satellite intelligence and propaganda operations were kept informed of the conclusions arising from market analysis. This was necessary to ensure that the best possible ideas on global vulnerabilities and drug-trafficking techniques were being employed in '*Druzhba Narodov*'.

Under the Soviet Bloc's COMECON economic coordination organisation, there was a Health Section and under that, a *military* health subsection. The members of that subsection were all the military chiefs of Health Administrations in the Warsaw Pact countries and, for the Soviets, the chief of the Main Health Administration. **This group helped coordinate research and production of drugs and narcotics throughout the Warsaw Pact.** COMECON, like other Soviet organisations, was not a simple economic cooperation organisation. It also served as a cover for a total military command structure designed to take command of Warsaw Pact forces should the Warsaw Pact be 'dissolved'. This arrangement was designed to enable the Soviets to recommend that both NATO and the Warsaw Pact be dissolved in the interests of peace, without such action having an appreciable impact on Soviet Bloc military capabilities.

The centre for planning production and distribution of drugs and narcotics was the Main Health Administration of the Rear Services in the Soviet Union. In Czechoslovakia, the centre was located within the Health Administration under the Rear Services.

Distribution and transportation were managed by the Main Technical Administration at the Ministry of Foreign Trade. This administration was one of the most important organisations in both narcotics and terrorist operations. It was responsible for transporting and

storing weapons, explosives and narcotics. The administration was heavily staffed by Zs officers. The organisations it controlled included trade bodies involved in transportation – for example, COBOL, CHEMEPOL and AEROFLOT. Logically, KINTEX, or its evident successor in Bulgaria, GLOBUS, almost certainly came under this administration.

The Main Technical Administration was given authority by the Defence Council to contract with foreign organisations for assistance where agreements were required, such as in the training of terrorists and others involved in sabotage and revolutionary war activities. This administration was, in effect, a cut-out organisation for strategic intelligence operations. It made the contracts and collected the monies. The administration was staffed mainly by Zs officers. The counterpart organisation in the General Staff was the Department of Technical Support for Foreign Countries, which coordinated the provision of weapons, explosives, terrorist supplies, etc. for shipment with the Main Technical Administration.

Within the satellites there were also Soviet intelligence stations, often located on the borders: in Czechoslovakia, for example, at Karlovy Vary, Liberec, Doupov, Cerchov and Bratislava. These stations acted beyond host country control or knowledge. When called upon to assist, the host would cooperate. The stations would engage in strategic intelligence operations, such as drug trafficking, without the host country's knowledge.

Illegal movement of goods across borders was maintained in peacetime so that sabotage agents could be moved in a similar manner during a crisis situation, without attracting undue attention. In this connection, it is useful to recall that all these operations – narcotics trafficking, military aid to terrorists, and sabotage – were handled by the strategic intelligence organisation within both military and civilian intelligence.

The Soviet Bloc negotiated a TIR (*Transports Internationals Routiers*) system with the West Europeans, to simplify customs and facilitate trade. Under this régime, in the country of departure, the customs officer seals the freight and signs the customs documents. Then the truck can be driven across all European frontiers. Customs inspectors are not allowed to examine the contents unless there are concrete indications that the seals or freight documents have been tampered with. This system began functioning in the late 1940s and expanded dramatically after 1949, with the greatest increase being the Soviet and East European share. By the 1970s, the Soviet Bloc's share of TIR transportation had risen to thirty percent. By the mid-1980s, it had increased to over fifty percent. This system is used to transport narcotics and terrorist supplies.

The TIR system also prevents Western officials from observing the shipments as they are transferred to other transportation means – such as ships, the preferred alternative. Czechoslovakia and other satellites rented part of Hamburg harbour. This segment of the harbour was treated as though it were Czechoslovak territory (or the territories of the other states concerned). The operations and facilities there were controlled by the Main Technical Administration of the Ministry of Foreign Trade. The Czechoslovaks paid rent to the Germans and the Czechoslovak ships used the docking and transportation links for shipping, including the shipment of materials for strategic intelligence operations, such as drugs and weapons for terrorism and sabotage, without any German interference or control, or customs. Large trucks were loaded in Czechoslovakia and sealed. They were then driven across Germany to the harbour. In the course of their journey, the trucks dropped off messages and packages, and passed by military installations. Despite the fact they were usually followed by German intelligence, the German authorities could do nothing because these arrangements were provided for in a German-Czechoslovak agreement. The satellites made full use of the Hamburg port, rather than of other available facilities

such as those in Poland, because the West watched Polish, not German, ports.

In 1984, evidence of this system in operation surfaced in a report by the US House Select Committee on Narcotics Abuse and Control, which stated: 'Methaqualone... has mostly been smuggled from Colombia where it is formulated into tablets from methaqualone powder originating in The People's Republic of China and Hungary and surreptitiously shipped to Colombia from the Free Port of Hamburg' <sup>6</sup> (Emphasis added).

The use of the TIR system for transporting weapons and drugs was also illuminated by the defector and former chief of Romanian intelligence, Lt. General Ion Mihai Pacepa. He explained that most drivers of Romanian TIR trucks were agents of the Romanian foreign intelligence service, the *Departamentul de Informatii Externe*, or DIE, and that their operation was based upon the model set up by Bulgaria, which also used TIR cover for the transportation of drugs and weapons to the West. The DIE, which was run by Pacepa, made full use of TIR trucks:

'... for secretly bringing high-technology materials and military equipment into Romania, as well as for smuggling unmarked arms and drugs to the West. Most of these movements are carried out under the protection of international TIR agreements and foreign customs seals. Over the years every kind of seal and form sheet used by Western customs authorities has been duplicated by the DIE and kept on hand to use to replace any original customs seals destroyed along the way for operational reasons' <sup>7</sup>.

A description of the process was also provided by Lt. General G. C. Berkhof, of the Royal Netherlands Army. He was Chief of Staff of NATO's Allied Forces Central Europe (AFCENT) until October 1986. Lt. Gen. Berkhof stated that there was much evidence of Bulgarian and East German involvement in drug-trafficking, and some evidence of Czechoslovak involvement. He confirmed that the TIR system was heavily exploited by the KGB and East Bloc intelligence services and that Dutch experts believed that over five percent of the TIR traffic was related to intelligence activities. He also said that similar findings emerged in Italy and other West European countries.

Thus, it would seem that the West European governments probably knew what was happening and yet 'officially' sanctioned the transportation of illicit drugs, narcotics and terrorist supplies across their territories. This TIR system and its use for the transportation of illicit goods, and a general awareness of what was happening, were further explained to the US Congress by General Lewis Walt in 1972, during hearings on global drug-trafficking<sup>8</sup>. In 1984, the US Drug Enforcement Administration [DEA], acknowledged in Congressional hearings that they had known about the use of Iranian, Turkish and Bulgarian TIR trucks for smuggling drugs and other contraband since 1972. They pointed out that 50,000 trucks per year transited Bulgaria and Yugoslavia, either to or from the Middle East and Europe. Of these vehicles, the DEA added, approximately half were TIR trucks. The DEA report also stated that Bulgarian customs officials had been implicated in assisting drug-traffickers<sup>9</sup>.

Drugs and narcotics trafficking were, as is the case with all intelligence operations, incorporated into the entire planning process. A long-term plan established priorities and cooperation for the development of scientific projects in parallel with the production of narcotics and drugs. The targeted countries and their order of priority were identified. The long-term plan described how the distribution networks in different countries would be developed and when and how to exploit their vulnerabilities. The short-term plan was more specific and tactical. It specified which groups to cooperate with; who the agents were; and what the production and shipping schedules would be.



The monies were controlled via six highly classified organisations. The Interior Ministry and Intelligence Administration of the General Staff had their own Finance Administrations. Additionally, there was a special Main Finance Administration at the Ministry of Defence. Within this administration there was a special branch that handled the secret element of the budget, which included the budgeting of narcotics and other strategic intelligence operations. This part of the budget was kept secret from everyone else within the Main Finance Administration and from even the Politburo and Central Committee.

Only the Defence Council and special military sections of the State Plan Commission and Finance Department had access to the secret part of the budget. At the Ministry of Finance and the State Plan Commission there were special military sections, within which were intelligence subsections that handled the intelligence components of the budget, which were then coordinated directly and only with the Defence Council. To complete the circle, within the Finance Administration of military and civilian intelligence were special sections that handled the secret part of the budget. These special organisations were the only places where complete figures on the intelligence budget could be found.

In reviewing the way the Soviet drug operation was organised, several important conclusions stand out. **Clearly, the narcotics offensive is an intelligence operation of the highest importance.** It is evident that the operation is directed by the State, specifically by the Administrative Organs Department, and that many agencies are involved – in the case of Czechoslovakia, no less than twenty agencies or organisations, as shown in *Figure 1* on page 49. It is especially noteworthy that notwithstanding the distributed nature of the operation, security was very well maintained and access to information was tightly controlled. Again, in the case of Czechoslovakia, less than thirty people **really** understood the full nature of the operation. To illustrate the effectiveness of Communist security measures, while the Soviet Bloc drug dimension was launched in 1955, and by 1965 at least five satellites and numerous surrogate organisations were participating, there was apparently was no knowledge of the operation or even a suggestion of its existence within US or other Western intelligence services until 1986. ■

### References to Chapter 5:

1. One example is a definition of strategic disinformation (deception) taken from a KGB training manual: 'Strategic disinformation assists in the execution of State tasks, and is directed at misleading the enemy concerning the basic questions of the State policy...' quoted in US Congress, House, *Soviet Covert Action (The Forgery Offensive)*, Hearings Before the Subcommittee on Oversight on the Permanent Select Committee on Intelligence (Washington, D.C.: US Government Printing Office, 1980), page 63.
2. The principal initial objective of the Soviet narcotics strategy was to weaken the military forces of the capitalists by attacking the population from which the military recruits its forces. An interesting elaboration of this objective was provided by Major Juan Rodríguez Menier, Chief of Security at the Cuban Embassy in Budapest, Hungary, who defected in January 1987. In an interview published in Miami's *El Nuevo Herald*, June 5-6, 1988, which was translated into English and reprinted by the Cuban American National Foundation, Rodríguez explained Cuba's drug-trafficking objectives as follows: '**Drugs are the best way to destroy the United States. The Cuban Government is convinced that by undermining the will of American youth to resist, they can destroy the enemy without firing one bullet. The foundation of any army is the youth and he who is able to morally destroy the youth, destroys the army.**' This doctrine is identical to Soviet Leninist teaching in general, and to the programme for military and societal demoralisation described in satanic detail by **Lavrenty Beria**, as cited in the *Communist Manual of Instructions of Psychological Warfare*: see *Brain-Washing: A Synthesis of the Communist Textbook on Psychopolitics*, published by Goff, 1956: see Introduction to the Second Edition of the present work, pages IX-XI; Note 10, page 23; and Note 11, page 44.
3. 'Intelligence component' or 'KGB intelligence' is used to refer to that element of the KGB that handles intelligence, in contrast to counter-intelligence and other non-intelligence functions.
4. For an insider's description of Communist organisations, see Jan Sejna and Joseph D. Douglass, Jr., *Decision-Making in Communist Countries: An Inside View* (Cambridge, Massachusetts: Pergamon-Brassey's, 1985).
5. Crack is a form of cocaine which suddenly appeared in the United States and spread rapidly across the country. It is cheap, easy to use, very rapidly addictive, and has serious medical side-effects. It is an example of the new drugs that the Soviet Bloc's research programs were designed to develop. 'Ice', a crystalline methamphetamine, is an even nastier example – as it is still cheaper, much easier to manufacture, has longer-lasting highs, and even more serious side-effects.
6. US Congress, House, Select Committee on Narcotics Abuse and Control, *International Study Missions Summary Report 1984* (Washington, D.C.: US Government Printing Office, 1984), page 2.
7. Ion Mihai Pacepa, *Red Horizons* (Washington, D.C.: Regnery Gateway, 1987), pages 87-88.
8. US Congress, Senate, *World drug-traffic and its impact on US Security*, Hearings Before the Subcommittee to Investigate the Administration of the Internal Security Act and other Internal Security Laws of the Committee on the Judiciary (Washington, D.C.: Government Printing Office, 1972), Part 4, page 134.
9. *Drugs and Terrorism*, 1984, *op. cit.*, pages 62-63, 69-70.

# POLITICAL WARFARE & DRUGS IN VIETNAM

China and the Soviet Union competed for the drug business of US servicemen during the Vietnam War.<sup>1</sup> The Chinese dimension of this trafficking represented an extension of what they had learned in the early 1950s, not only in the Korean War, but in the French Indochina War as well.

During the Indochina War, which culminated with the defeat of the French at Dien Bien Phu, the Chinese worked with the Vietnamese Communists to promote drug use by French troops. The tactic was even more successful in Indochina than it had been in Korea. In January 1954, the French Lt. General Cogy explained to an American Army operations officer, Molloy Vaughan, that drugs from China were having a serious effect on the morale of French combat units and that the growing use of drugs among French soldiers was also eroding support for the war back home in France. One of the chief distribution centres was the Chinese gambling city of Cholon, a suburb of Saigon, where the troops went for rest and recreation. Prostitutes there were especially effective in pushing drugs on the French servicemen.

This was the first time that the French had run into this use of drugs, Lt. Colonel Cogy explained to Vaughan, and the effects of trafficking were proving to be extremely serious. Not only had drugs upset morale and fighting efficiency, but additionally, many soldiers were too ashamed to return to France and, instead, had elected to be discharged in Indochina – where they remained, which had a further debilitating effect on morale.<sup>2</sup>

According to Soviet intelligence, in 1957, at the third meeting of the Central Committee of the Chinese Communist Party, the Chinese decided to expand their narcotics offensive. This expansion was designed as part of the 'Great Leap Forward'. The principal subject discussed at the meeting was the economy.<sup>3</sup> The decision to expand drug production was adopted as one solution to China's economic problems.<sup>4</sup> In the decision document, one paragraph reviewed Chinese experience in Indochina and explained that drug-trafficking was beneficial because it had undermined the morale of French troops, had introduced combat weaknesses, and had provided the Chinese with a significant profit.

The decision was now made to expand opium poppy farms by 100 percent and, similarly, to double research and production activities. To further ease economic problems, instructions were sent out to have emigrants invest in business in China and support China's policy and interests – including the marketing of drugs and narcotics. Primary targets were to be Mexico, the United States and Canada.<sup>5</sup>

In addition to stated economic objectives, there was another motivation of particular importance from a US perspective: preparation for the growing US military presence in Vietnam. As Chou En-lai explained in 1958 during a pep talk he delivered at a meeting in Wuhan to discuss increasing opium production:

The Centre has decided to promote poppy cultivation on a large scale.... Every one of you must awake to the fact that the war in Vietnam is likely to escalate and US imperialism has determined to fight against our revolutionary camp by increasing its military force in Vietnam....From the revolutionary point of view, the poppy is a great force to assist the course of our revolution and should be used; from the class point of view, the poppy can also become a powerful weapon to win the proletarian revolution....[By exporting large quantities of morphine and heroin, we are able to weaken the US combat force and to defeat it without even fighting at all...<sup>4</sup>]

Chou's observations on what was likely to happen in Vietnam were not without justification. Following the Korean Armistice, US shipments of military equipment headed to Korea were re-routed to Vietnam to support the French operation. Simultaneously, the US military presence in South Vietnam began to expand. By 1957, the steady increase in US military personnel in South Vietnam was clear to the people at the headquarters of the US Pacific Command who were responsible for war plans. Indeed, [1957 was the year when the first war plans for US forces in Vietnam were developed.] Given the highly successful use of drugs against the French troops in Vietnam, and the success of the Chinese in promoting drug usage by US forces in Korea, Chou's remarks should come as no surprise<sup>5</sup>.

Chou's observations at the 1958 meeting were remarkably consistent with reports on his discussions with President Gamal Abdel Nasser during a visit to Egypt seven years later, in 1965. At a banquet given in his honour, Chou is reported to have said:

We think that US involvement in the Vietnam War provides a good chance for us to fight against US imperialism. Thus, the more troops it sends to Vietnam, the more satisfied we are.... At present US servicemen are experimenting with opium eating and we are helping them in this respect. We have already grown the best quality opium for them.... We will use opium to shatter the morale of the US troops in Vietnam and the effects on the United States will indeed be beyond prediction<sup>6</sup>.]

The Soviets and Czechs were rather well-informed about Chinese trafficking, both through Soviet intelligence agents in China and North Korea, and through intelligence collection operations in Vietnam, Laos, Burma and Afghanistan, where Czechoslovak agents were assisted by the North Vietnamese, Laotians, Burmese, Cambodians and Afghans. The development of Soviet intelligence capabilities in China specifically oriented to the drug trade was the product of a long-term recruitment operation. Even before Mao Tse-tung came to power in 1949, the Soviets had become concerned about Mao's loyalties and had initiated measures to recruit spies among the Chinese Communists. During the Korean War, these efforts were expanded, specifically to collect data on Chinese drug-trafficking operations.

As discussed earlier, the Soviets became extremely interested in the Chinese drug strategy and its effectiveness during the Korean War. With effect from 1951 and continu-

ing until 1962, a significant focus of Soviet espionage activity was to recruit spies to report on the Chinese drug business – research, production, manufacturing techniques, distribution and finance. Sejna first learned of this Soviet espionage operation during a Defence Council meeting, while planning for a forthcoming visit by a delegation of the Communist Party of Japan.

In preparation for discussions with the visiting delegation, a joint Ministry of Defence and Interior report on political relations among the Communist Parties of Japan, China and the Soviet Union was prepared for the Czechoslovak Defence Council. The drug business was one of the items covered in this report.

The report described Soviet measures (in which Czechoslovak intelligence participated) to recruit Chinese spies. The targets of this recruitment operation were Chinese scientists, students, engineers and technicians whom the Soviets believed might go into some aspect of the drug business. Recruitment took place in China and in the Soviet Union and Eastern Europe, where numerous Chinese were temporarily stationed. The cadre of intelligence agents so recruited provided the Soviets with extensive data on China's drug operations, notwithstanding Chinese security practices associated with the drug business.

While China tried to hide its activities from the Soviets, by the late 1950s Soviet intelligence had identified almost 100 Chinese factories manufacturing heroin and drugs for use against the bourgeoisie. They also knew about new laboratories in Shanghai, Katong and Tibet where synthetic drugs were prepared and tested. The Chinese also controlled factories in different countries which participated in the Chinese drug strategy. The Soviet recruitment program had produced a particularly valuable source in one such company located in Saigon. Through this source, information was obtained on Chinese drug-trafficking in Vietnam. The company also provided narcotics to various Middle East and African countries. This was in fact the source of much of the original Soviet intelligence on drug-related corruption in Africa and the Middle East.

Through their agents, the Soviets were also alerted to the Chinese decision in 1957 to expand their drug offensive. By 1958, the Soviets had grown concerned about the expansion of Chinese trafficking because of its possible adverse effects on Soviet plans. Accordingly, in late 1958 or early 1959, the Chinese Minister of Defence, Marshal P'eng Te-huai, who was also a member of the Politburo, was invited to tour the Soviet Union and Eastern Europe. During his visit, deficiencies in Chinese industry and collective farms were pointed out to him to make him appreciate the potential value of Soviet assistance, and, of course, of Soviet 'good faith' and interest.

Then, midway through his visit, the subject of drugs and narcotics was raised. The Soviets suggested that the two countries and Parties should coordinate their foreign policies. In particular, the Soviets suggested dividing up the drug market, with the Chinese getting Asia and Africa, and the Soviets taking the Americas and Europe. When the Defence Minister returned to China, he sent a personal letter to Mao, criticising some of Mao's policies and recommending certain improvements, based on his visit to the Soviet Union and Eastern Europe. The letter was classified Top Secret because it discussed cooperation in foreign policy, military policy and drugs. Not only did the suggestion fall on deaf ears, but Mao Tse-tung liquidated the Defence Minister, not for criticising him, but rather, for even acknowledging to the Soviets that China was in the drug business<sup>7</sup>.

While the Chinese were first to recognise the potential for the use of drugs in Vietnam, the Soviets were not far behind. In 1963, the Soviets had arranged for Czechoslovak

intelligence to assist the North Vietnamese in setting up a training centre for drug-traffickers. Then, in 1964 when the school was in operation, the Soviets prevailed upon the Czechoslovaks to negotiate an agreement with North Vietnam to produce narcotics and drugs in that country and to ship the material via the Viet Cong and through Thailand to US forces throughout Southeast Asia. The North Vietnamese were pleased with the arrangements finalised in 1965 because, among other considerations, Sejna recalls, it put them in competition with the Chinese. The agreement within which the narcotics agreement was concealed dealt with the production of natural rubber. It was signed by Premier Pham Van Dong and Prime Minister Josef Lenart. The details were worked out by the chiefs of North Vietnamese and Czechoslovak military intelligence.

Through its intelligence sources in China, who were reporting back through a Czechoslovak Zs agent stationed at their embassy in Peking, the Czechoslovaks learned that the Chinese had also expanded their narcotics trafficking operation in 1964. Specifically, an agreement had been signed between the Communist Party of Japan and China in which the Japanese would assist China in supplying drugs to US soldiers in Japan and Okinawa. Under the terms of the agreement, China's counter-intelligence would perform background security checks on all Japanese who were scheduled to be recruited for this operation. In return for their assistance, the Communist Party of Japan was to receive twenty five percent of the profits.

In 1965, the Soviets expanded their Vietnam narcotics trafficking operations to ensure that drugs were available in nearby locations which US servicemen and officers would visit during vacations to 'rest and recuperate'. One leg of this trafficking operation in which the Czechoslovak intelligence service assisted was located in Australia. The Czechoslovaks were called upon to assist because they were able to operate in Australia more flexibly than the Soviets and were not watched as closely as the Soviets.

The Czechoslovaks had also established better relations with the Australians, particularly with the Labour Party, and had several commercial operations in Australia which helped to provide cover. Finally, the Czechoslovaks had additional resources, namely Australian soldiers whom the Czechoslovak intelligence services had recruited. The supply of drugs for this operation came from North Vietnam – which was another reason for Czechoslovak assistance, insofar as they were already involved in the North Vietnam drug production operation.

1965 was also the year when the Czechoslovak Chief of the General Staff and Chief of the Main Political Administration learned that the Czechoslovak operation had been criticised in a Soviet Defence Council report. The Soviet complaint was directed against the Czechoslovak intelligence service, and accused it of placing more attention on profits than on the real objective of the drug business, which was the liquidation of capitalism. The two Czechoslovak officials were in Moscow attending a meeting when they were informed about this concern by the Soviet Defence Council and were told to change their priorities. The first priority was to promote drug usage, not to make money. The specific subject addressed was the use of drugs against the US military in Southeast Asia.

The primary targets within the US military in Vietnam, the Soviet officials emphasised, were US military command staff officers, personnel associated with communications, personnel responsible for producing situation analyses, and intelligence officers. General Vaclav Prchlik subsequently reported to Sejna that Soviet General Yepishev, who headed the Main Political Administration, had told him that if the US military were inclined to take drugs, they should if necessary be given them free of charge. The money

was far less important than influencing the military with drugs.

Western intelligence officers as well as political analysts have identified 1966 as the year when the trafficking of narcotics into Vietnam underwent a marked increase<sup>8</sup>. This would also be the year when the Soviet-Czechoslovak-North Vietnamese operation became fully operational. By 1967, narcotics had become a serious problem among the US military in Vietnam. One Soviet KGB intelligence study reported that 90 percent of US servicemen were using some form of drug, most commonly marijuana. However, the US military authorities refused to acknowledge the seriousness of the problem until it became so open and blatant that it could no longer be denied.

The drug challenge was brought out of the closet in 1970, immediately following the 'secret' bombing of Viet Cong sanctuaries in Cambodia in April-May that year. China responded with a stern warning which Henry Kissinger analysed in person. He then advised the President as follows: 'The Chinese have issued a statement, in effect saying that they wouldn't do anything'.

(But, with effect from June 1970, heroin of almost pure quality suddenly appeared for sale at below wholesale prices outside the gates of every US installation in Southeast Asia. As General Lewis Walt has explained:

'In June of 1970, immediately after our Cambodian incursion, South Vietnam was flooded with heroin of remarkable purity – 94 to 97 percent – which sold at the ridiculously low price of first \$1 and then \$2 a vial. If profit-motivated criminals were in charge of the operation, the price made no sense at all – because no GI who wanted to get high on heroin would have batted an eyelash at paying \$5, or even \$10. The same amount of heroin in New York would have cost \$250'.

The only explanation that makes sense is that the epidemic was political rather than economic in inspiration – that whoever was behind the epidemic wanted to hook as many GIs as possible, as fast as possible, and as hard as possible'<sup>10</sup>.

General Walt also made it clear that the trafficking operation appeared to be highly coordinated and centralised and that some group must have established virtually simultaneous contact with scores of ethnic Chinese entrepreneurs and other criminal elements throughout South Vietnam. He also examined reports of interrogations of Viet Cong defectors who claimed to have knowledge of large-scale opium production in North Vietnam and, in one case, of Viet Cong involvement in the heroin epidemic. Another defector described the North Vietnamese distribution of drugs as a direct means of undermining the morale and efficiency of US forces. The Vietnamese officers with whom Walt discussed the problem were all convinced that the heroin epidemic was political rather than criminal in origin<sup>11</sup>.

The result was a mammoth rise in US military drug abuse. While previously there had been two deaths per month due to a drug overdose, suddenly the statistic rose to sixty per month. In 1970-1971, the US Air Force lost more people to drugs than to combat. The impact on morale, readiness, and support for the war at home was devastating<sup>12</sup>. During investigations of the new epidemic, Chinese trafficking, North Vietnamese production and Viet Cong trafficking were all identified by US intelligence.

And, based on simple free market economics, one is led to two conclusions: *First*, that the increase was the result of combined, albeit not necessarily coordinated, operations; *secondly*, that the trafficking was unquestionably a sign of political warfare and not greed- or profit-motivated.

The increase in US military consumption was driven by **supply**, not demand.

But, notwithstanding the overwhelming evidence concerning the rôle of China, the White House, as will be explained in Chapter 9, issued instructions in 1972 to US Government officials telling them that the rumours about Chinese drug-trafficking were without substance and should be disregarded. ■

### References to Chapter 6:

1. Chinese trafficking during the Vietnam War is reported in Hamburger, *The Peking Bomb*, *op. cit.*, pages 117-148 and Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, pages 240-266. The rôle of China was also confirmed by US intelligence and fact-finding missions. Sejna corroborated these reports. His knowledge was based on detailed Soviet and Czechoslovak intelligence reports.
2. Interview with Molloy Vaughan, May 1989. General Sejna further reports that the successful use of narcotics by the Chinese and Vietnamese Communists in the Indochina War was also studied by the French Communist Party, based on reports from Communists in the French Army in Vietnam. This French study was reviewed in Czechoslovakia during a Czechoslovak study undertaken to intensify drug-trafficking in the mid-1960s. The French study also blamed the use of drugs on 'bourgeois officers', some of whom were involved in the trafficking.
3. Reported by Mikhail Suslov at the February 1964, Moscow meeting of high-level East European leaderships which Sejna attended. The effects of the decision were also reflected in Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, page 114.
4. T'ang Ming-chieh, Specialist, Bureau of Investigation, Ministry of Justice, Republic of China, 'The Maoist Production of Narcotics and Their Intrigue to Poison the World', *Issues and Studies*, June 1973, page 35.
5. Also, in 1959 a delegation of the armed forces of North Vietnam, led by the Chief of the General Staff, visited the Soviet Union and other Warsaw Pact countries. Sejna was the host for the visiting delegation in Czechoslovakia. The main purpose of the visit was to obtain military equipment for the North Vietnamese army. At that time, the North Vietnamese expected the United States to increase its commitment to South Vietnam and wanted to prepare for the coming war. As part of their preparation, they were planning to reorganise their whole country for general war.
6. 'The Maoist Production of Narcotics and Their Intrigue to Poison the World', *op. cit.*, page 36, citing an article in the French magazine *Histoire Pour Tous*, January 1973. The episode is also described in the more widely read reference book by Mohammed Hassanein Heikal, *Nasser: The Cairo Documents* (New York: Doubleday, 1971), pages 278-279. See also Hamburger, *The Peking Bomb*, *op. cit.*, pages 143-148 and Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, pages 21-24.
7. Sejna was responsible for the Chinese Minister's schedule in Czechoslovakia and for assisting in the Soviet attempt to recruit the Minister. In preparation for his visit, Novotny was instructed by officials from the Soviet International Department. Other Czechoslovak officials were instructed by their Soviet adviser. In February 1964, Suslov presented a major speech on China at a meeting of the Soviet Central Committee. This was the formal time at which the Soviets stated that they had concluded that China was 'not about to march in step' and that the rift between China and the Soviets was irreversible. Suslov discussed many aspects of Chinese foreign policy, including China's drug operation. It was during this discussion that Suslov explained the reasons behind the Chinese Defence Minister's liquidation. The information had been obtained by Soviet intelligence. The secret element of this speech contained details on Soviet operations against China. In 1965, China was added to the Soviet 'main enemies' list.
- Editor's Note:* Anatoliy Golitsyn's analysis reveals that, notwithstanding these facts, the Sino-Soviet split was indeed a dialectical ploy, based upon classical Leninist strategic deception theory.
8. See, for example, Stefan T. Possony, 'Maoist China and Heroin', *Issues and Studies*, November 1971. The increase is undoubtedly the product of the combined competing trafficking of the Chinese and North Vietnamese-Czech Soviet operations.
9. Henry Kissinger, *White House Years* (Boston: Little Brown and Company, 1979), page 509.
10. US Congress, Senate, *World drug-traffic and its impact on US. Security*, Hearings Before the Subcommittee to Investigate the Administration of the Internal Security Act and other Internal Security Laws of the Committee on the Judiciary, August 14, 1972, Part 1, Southeast Asia, and September 14, 1972, Part 4, The Global Context; Report of General Walt (Washington, D.C.: Government Printing Office, 1972), Part 4, pages 157-158.
11. *Ibid.*, pages 54-58.
12. In 1971, Representative Robert Steel (R-CT) reported that the high rate of heroin addiction had prompted the Nixon Administration to step up its rate of troop withdrawals. 'Drugs Reported Tied to Vietnam Pullout', *New York Times*, June 7, 1971, page A6.
13. *World drug-traffic*, *op. cit.*, Part 1, pages 54-58, and Part 4, page 160.

# MOSCOW INTENSIFIES DRUG WARFARE IN THE LATE 1960s

The Vietnam War provided an ideal opportunity for the extension of operation '*Druzhba Narodov*'. The alienation of youth which was proliferating in the United States and the preoccupation of the US Government and citizenry with the Vietnam War presented the distraction and cover which enabled the Soviet offensive to expand without attracting undue attention. The first leg of the expansion started in January 1967. This was when a new Soviet study on the impact of the new 'technical élite' in the industrialised countries was completed. One copy was given to the Czechoslovak Defence Council, along with instructions to apply the findings to the drug operation. The study pointed out the growing importance of the technical élite – the middle-level technical managers upon whom the growth of high-tech industries so critically depended. These managers had become one of the most important groups in 'bourgeois society'; in the Soviet view, they were on a par with finance and big business. Accordingly, the group had become a most important target to infiltrate and sabotage.

The Soviet study pointed out that this new élite worked under great pressure, and that as the pressure grew, new opportunities to use drugs and narcotics would arise. Drugs were regarded as especially important as a means of destroying or sabotaging this group, and, at the same time, as a blackmail or bribery mechanism to use against such people in connection with the Soviet Bloc's drive to obtain (steal) advanced technology.

The use of drugs and narcotics in connection with technology espionage and theft had been a long-standing practice, dating back to before Sejna's appointment to high office. The use of drugs in such operations was first significantly increased following a meeting in Moscow convened by Khrushchev in the fall of 1959. The top leadership from the East European satellites (with the exception of Romania) were present. The subject of the meeting was Pact technology; the key question, was how to use the developing East-West relationship to improve the Warsaw Pact's technology<sup>1</sup> as quickly as possible.

Sejna was present at the meeting. The first subject addressed was technology theft. Khrushchev stated that the cheapest and fastest way to improve Warsaw Pact technology was to take (that is, steal) as much technology from the 'imperialists' as possible. Its value was doubled if you just take it, he said, and added: why pay the capitalist a profit if we



can just take it and use it? As part of this discussion, the use of drugs and narcotics as a mechanism for money and blackmail in technology theft was reviewed. This was the primary way drugs and narcotics had been used in the past. The targets were business executives, technical managers, and sales personnel.

Organised crime was also used to facilitate technology theft. In 1963 or 1964, the Czechoslovak Ministers of Defence and Interior presented a report to the Defence Council on the use of organised crime in technology transfer. The focus was on attempts to steal laser and computer technology. The report was forty pages long and included charts that listed target companies in different countries, different organised crime groups, and the potential for action in various regions. The Defence Council's task was to decide in each case whether civilian or military intelligence should take the lead and to identify situations where coordination with other intelligence services was appropriate.

By this time, all the Soviet Bloc intelligence services were active in organised crime in different regions of the world. The Czechoslovaks and East Germans were particularly effective in Switzerland, Mexico and India; the East Germans in South Africa; the Czechoslovaks in Austria and Egypt; the Bulgarians in the Middle East, Greece, Turkey, Italy and Cyprus; the Hungarians in Spain, Portugal, Belgium and the United States; the Soviet Union in Great Britain and France; the Soviets, Czechoslovaks and East Germans in West Germany. Czechoslovakia had roughly three organised crime groups in Switzerland, seven in Austria, two in Mexico, eleven or twelve in India, and one each in Argentina and Sweden. In the case of Austria, the head of one of the Czechoslovak groups was the chief of police in one of the sections of Vienna. Altogether, Czechoslovakia ran or had infiltrated about fifty organised crime groups around the world. Sejna believed this achievement was comparable to those of Bulgaria, Hungary and Poland, more than that of East Germany, but was less than the achievement of the Soviet Union. The Italian mafia had been penetrated by all the Soviet Bloc's intelligence services, although the Bulgarians and Soviets were by far the most successful.

The existence of a Soviet strategy to infiltrate organised crime, which was launched in 1955, is especially sobering when the extent to which US Presidents, intelligence officials, and other high-ranking political leaders are known to have requested favours from members of organised crime, is recalled. Consider, for example, the CIA's attempts to assassinate Fidel Castro in the early 1960s. In one exercise, individuals from no less than four organised criminal groups, centred in Las Vegas, Chicago, Miami and Havana, were involved. One of the principals had been freed from jail by Castro himself and then allowed to leave Cuba and settle in Miami. A Bureau of Narcotics report described this individual as a possible connection for Cuba's narcotics trafficking into the United States. Even if we disregard the covert Soviet Bloc intelligence penetration of organised crime groups, it does not require much imagination to recognise 'why', as historian Arthur M. Schlesinger, Jr. described the situation, 'Castro survived so comfortably the ministrations of the CIA'.

The tendency to turn to organised crime for special tasks is not an activity that is unique to the US strategic leadership. It is a rather common activity in many countries. It seems unlikely that any of the public officials concerned has been, or is, aware of the hidden risks in pursuing such activities which could arise because of the covert presence of Soviet Bloc intelligence agents. The huge potential value of this rather simple-appearing Soviet operation is a keen indication of Moscow's knowledge of other cultures, and of the Soviets' genius in developing effective strategic operations.

An intelligence study reviewed by Sejna described the manner in which organised

crime was categorised in Soviet planning. There were three principal categories, the code names of which were blue, purple, and yellow butterfly. In the first category were relatively small groups involved in local crimes – for example, small narcotics distribution, banks and finance. In the second category were criminal groups related to drugs and to technology transfers. The third category contained the more traditional criminal operations, such as the mafia, which were penetrated for intelligence information of a military, political, or economic nature.

Each principal category was further broken down into three sub-groups referred to as alpha, beta and gamma. The first group consisted of organised crime networks which had been created and were fully controlled by Warsaw Pact intelligence services. Organisations in the second group were created by someone else but had been penetrated by Warsaw Pact intelligence agents and could be exploited. In the third group were known organisations that the Warsaw Pact intelligence services had been unable to penetrate.

At a Czechoslovak Defence Council meeting, Khrushchev's deputy, Andrei Kirilenko, spoke to top Czechoslovak officials about Khrushchev's concern over the program. He explained that Khrushchev had asked why the categories 'we cannot control completely' were the largest. 'Why do we not switch the statistics?' he asked. Kirilenko then inquired whether the Warsaw Pact intelligence services were scared of professional criminals. 'When you deal with the criminals', he stated firmly, 'you must be tougher than they are'.

The measures taken in 1967 to target the newly identified technical élite for sabotage, espionage and technology theft was the second important intensification of across-the-board technology theft operations using drugs and narcotics to which Sejna was a direct witness and participant.

Each year the Defence Council reviewed the technology stolen during the preceding year. It then met and approved a plan describing what was to be stolen during the subsequent year. In reviewing stolen technology at the end of 1967, Antonin Novotny, First Secretary of the Communist Party of Czechoslovakia, remarked to the Soviet General Secretary, Leonid Brezhnev, that drugs were of great help in stealing technology. General Oldrich Burda, the Zs chief, added that twenty to twenty-five percent of the technology stolen in 1967, the total value of which was estimated by the Zs at \$300 million, had been acquired through the use of drugs.

In the spring of 1967, the Czechoslovak strategic leadership received additional guidance from the Soviet Union. In April, Sejna, Jiri Hendrich and Lt. General Vaclav Prchlik travelled to Moscow where they met Soviet General Aleksey A. Yepishev, Chief of the Main Political Administration, and General Shevchenko, Chief of the Department of Special Propaganda. At this meeting, **Shevchenko discussed the continued importance of infiltrating the banks and financial institutions.** Collecting data for military purposes was one objective. He also stressed the importance of using drugs to corrupt people in these institutions and indicated that such infiltration would also facilitate the use of the banks as handlers of money for foreign operations, including drug-money-laundering.

The financial institutions were so important, Shevchenko emphasised, that careful attention was to be exercised by the satellite propaganda apparatus to keep these institutions out of the limelight<sup>3</sup>. Individuals in these institutions assisting the Soviet Bloc operations represented a long-term investment which would serve Soviet interests for many years and, thus, corruption in these institutions was not to be publicised. The Soviets did not want any light to be thrown on the banks' operations.

Previously, in 1963, during a meeting of the Czechoslovak Defence Council when money-laundering was being discussed, the Chief of the General Staff had stated that the Soviets had decided that officials in the Soviet finance department should not be informed about the precise sources of the funds they were handling because there was too great a risk of compromise. **At risk, the Soviet adviser had explained, were people in seventy-five percent of the banks in Latin America and in forty-five percent of the banks in the United States and Canada.** When the amount of money involved was considered, around \$300 billion per year in the United States in the late 1980s, \$500 billion or more per year worldwide, these percentages certainly do not seem high.

Furthermore, in the spring of 1967, General Savinkin, head of the Soviet Administrative Organs Department, convened a meeting in Moscow of the top leadership of the Warsaw Pact drug-trafficking countries, plus Cuba. Savinkin chaired the meetings, which continued for several days. Numerous Soviet military and intelligence generals were present at different times. In addition to Sejna, Josef Kudrna, the Czech Minister of Interior, and General Bohimir Lomsky, the Minister of Defence, were present. Four Cubans attended the meeting: Raúl Castro, Cuba's Minister of Interior, the deputy military intelligence chief in charge of narcotics, and one other. The other countries represented were East Germany, Hungary, Bulgaria and Poland.

One of the most important topics addressed at this particular meeting was the importance of attacking NATO and US military forces more aggressively with drugs. Detailed studies of all NATO forces were presented, and their vulnerabilities discussed. In his remarks, General Savinkin identified three primary objectives: To corrupt officers, to recruit agents and to impair the functioning of troops.

The offensive against US troops based overseas, received special emphasis. Savinkin explained that areas where US troops were based – Germany, Turkey, Greece, Panama and so forth – were, to use a military term, to become *zones of strategic destruction*. This task was so important that Soviet Major General Vasil Fedorenko was placed in charge of coordinating the attack. Each country had a similar coordinator designated, who acted as the primary liaison with Fedorenko. And as will be described shortly, the need to corrupt US forces in NATO received additional emphasis in the fall of 1967. (By 1970, the standard of US command of forces in NATO had in fact already fallen to dangerously low levels and was soon to trigger far-reaching disciplinary measures).

In this operation, Panama received special emphasis because of the Panama Canal and because of the presence in Panama of several US military bases. Colonel Frantisek Penc, of Czechoslovak military intelligence, was in charge of the Czechoslovak operation in Panama. He was also the liaison to Fedorenko for drug-trafficking against US bases in other regions of the world.

At one of the special sessions focused on Latin America, General Shevchenko, head of the Department of Special Propaganda [see page 65], explained that the Soviets believed that over seventy percent of the top-level Panamanian military (Lt. Colonel and above) were anti-American. A list of these officers had been drawn up with the assistance of the Communist Party of Panama. They had all operated with the Communist Party and some had contributed money to the Party. The officers were not targets to be destroyed, General Shevchenko emphasised, but to be protected because some of them were our 'Gold Reserve'. Many, if not most, of them were involved with drugs. One of the Panamanian

military officers on the list was Omar Torrijos Herrera, who was to seize control of Panama in 1969. Raúl Castro said that Cuba believed that anti-American sentiments were even stronger among lower level officers, and that the Cubans would like to focus more attention on recruiting lower level officers. The Soviets concurred with this proposal.

By 1972, Panama had developed such a severe drug problem that special measures were discussed at the US Bureau of Narcotics and Dangerous Drugs [BNDD, subsequently absorbed into the DEA]. In an attack on Noriega in 1986, the *New York Times* published a detailed account of these anxieties. John E. Ingersoll, who was then head of the Bureau of National Dangerous Drugs, confirmed that BNDD had hard intelligence that Noriega was trafficking in drugs – adding that the BNDD had been frustrated in its attempts to persuade General Torrijos to take action against Noriega. According to a 1978 Senate Intelligence Committee report, five measures had been discussed to deal with the ‘Guardia Nacional official’, which was the Committee’s description of Noriega: Link Noriega to a fictitious plot against Torrijos, leak information on Noriega’s drug-trafficking to the press, link negotiations over the Panama Canal to Noriega’s removal, secretly encourage powerful groups in Panama to raise the issue, and ‘total and complete immobilisation’, which was of course an euphemism for assassination<sup>†</sup>.

Colombia was another country which the Moscow meeting held in the spring of 1967 discussed in detail. With respect to Colombia, Raúl recommended that Cuba should develop more than one group to control drug-trafficking. (At that time, there were two Soviet-controlled operations: the Cuban operation and the Czechoslovak operation). Savinkin pointed out that the number of groups should be kept to a minimum. The more groups there were, the more people there would be in the know, and the greater was the risk of exposure. He was referring to exposure of the *Soviet operation*<sup>†</sup>. Castro agreed, but said the risk was also high with just one group because of the internal politics involved. Savinkin approved Castro’s recommendation and emphasised that it was the Cubans’ responsibility and he would trust their judgment in this matter – but that Havana should be careful not to go too far.

Raúl also raised the question of how much the Communist Party of Colombia should be told and presented a long list of people corrupted by the drug trade in Colombia which had been assembled by Cuban intelligence agents who had infiltrated the indigenous Colombian drug-trafficking networks. The Soviets were concerned about some of the names on the list whom they believed to be among various ‘double agents’ whom the indigenous drug-trafficking organisations had corrupted and were using against the Soviet-Cuban drug operation. Savinkin said that these people were all criminals. They don’t trust anybody except themselves, he explained. We are in the same position and cannot trust any of them, either.

In his review of Mexico, Savinkin said that there were no corrections to be made in respect to the corruption of Mexican political officials. For all practical purposes, they had all been corrupted. The next priority was to work on the Mexican business élite.

There were also discussions about the networks into Western Europe. The principal distribution outlets into the European market were Switzerland, Austria (Vienna) and

<sup>†</sup> *Editor’s Note:* This revealing admission of the obvious – that *exposure must be avoided at all costs* – points the way for serious Western observers and for all who are determined, even at this late stage, to confront the drug offensive against civilisation. The *one hazard* that the perpetrators fear is, precisely, *exposure*. Hence the present work, intended by the Author to expose this long-term act of war against humanity. Note also that Savinkin was concerned about the *Soviet* drug programme being exposed, not so much the ultimately expendable ones of the satellites, which existed in part to provide Moscow with a veneer of deniability.

Sweden (Stockholm). All the Soviet Bloc intelligence services operated in these regions, which served as centres for drug distribution and for the covert transfer of stolen technology to the Soviet Bloc. (Panama was also to become a centre for these two activities). Intelligence linkages into other countries favoured certain national intelligence services; for example, the Germans were particularly active in marketing drugs through the Netherlands.

Another topic discussed was the increased use of drugs to corrupt the élite classes in Third World countries. Bulgarian officials said that Turkey and Iran had posed no problem. They had destroyed themselves. Savinkin criticised this remark and told the Bulgarians to listen more carefully – he was referring to the élite class. They must improve the quality of drugs and push their use into the upper classes.

In 1967, the head of the Health Administration briefed the Czechoslovak Defence Council on seven or eight new drugs which had been developed in the course of their drug research and development program. The research activity had been started five years earlier, in a facility constructed next to the Central Military Hospital in Prague specifically for the development of chemical and biological warfare agents, mind-control drugs, assassination weapons, and more effective narcotics.

The drugs reviewed in 1967 were a product of this program. They had been developed by scientists and medical doctors from the Central Military Hospital and the Air Force Scientific Centre and tested on prisoners. The new drugs were considered more effective because their immediate effects were longer lasting, and, as a bonus, they caused long-term damage in the capacity of humans to think logically. Sejna was particularly impressed with one of the more effective drugs that left the user optimistic and put him in a 'no worries, don't care' frame of mind. When tested on prisoners, the prisoners became unconcerned about penalties or having to spend their whole lives in jail. The longer-term effects, tested after two to three years, were residual mental attitudes of passivity and resignation. The test subjects did not even try to make intelligent decisions. Evidently, the drug attacked the centre of motivation.

At the briefing, the Czechoslovak doctors recommended three drugs that they believed would be the drugs of the future. The Soviet adviser, who also attended the meeting, said the drugs should not be marketed then because they might cause questions to be asked. **At that time, the Soviets believed that the blame for the drug epidemic, as desired, had been successfully placed on organised crime.** If we put new drugs on the market, the Soviets reasoned, people in the West might become suspicious. We need to be very careful to wait until the correct time; for example, when there are other potential co-producers who can be blamed as the source for the new drugs.

Another especially interesting new dimension arose in September 1967, in connection with a visit by Raúl Castro to Czechoslovakia. This event was the annual development and approval of the next one-year plan. Accompanying Castro were several high-level Cuban officials: the Chief of Military Intelligence, Chief of the Military Medical Administration, Deputy Head of the Administrative Organs Department, Deputy Chief of the General Staff for Armaments and Technology, and the Deputy Chief of the Main Political Administration. As in the past, Sejna was the Czechoslovak official who hosted the entourage. The principal subject of the meeting was the drug and narcotics operation. A sizeable expansion of Cuban and Soviet Bloc drug and narcotics trafficking activity was agreed. At this meeting, too, a protocol was signed which enabled Cuban scientists (seventeen or eighteen of them) to assist joint Soviet Bloc research teams work-

ing on drugs and narcotics. Henceforth the Cuban scientists would be working with Czechoslovak scientists, but not with the other Soviet Bloc teams. This was an indirect way of bringing the Cubans into the Soviet Bloc program.

One of the principal areas in which the Cuban scientists had been conducting research and one that they would be working on in cooperation with other Warsaw Pact scientists was an analysis of the influence of drugs on the 'intellectual stagnation' of society. The idea was that drugs would inhibit the development of the mind (intellect) and this would in turn help to bring about a stagnation of bourgeois society. The questions of interest involved what drugs or combinations of drugs were most effective in crippling the mind and how many drugs, over how many years, were required to cripple a society. That is, what drug-trafficking was required to achieve the desired effect?

This was part of a highly important Soviet operation; and all the Soviet Bloc countries had programs underway to develop the best drugs and accompanying analyses. Czechoslovakia, East Germany, Bulgaria, Hungary and the Soviet Union itself were heavily involved. The crippling of bourgeois society was the 'main order'.

The efficacy of this strategy could only be appreciated in the West after the event, since the long-term debilitating effects of nearly all drugs on the brain, even (indeed, especially) including those of marijuana, have since become better known and gained publicity and recognition. One factor of special relevance that is now recognised is the neurological effect on infants born to women on marijuana or cocaine, including long-term behavioural impairment and learning disabilities<sup>5</sup>.

Castro was particularly forceful in presenting his position to Czechoslovak and Soviet officials. He argued that it was important to push this aspect of drug-trafficking operations even harder, and to advance the onset of stagnation by targeting younger students, specifically, high school students and children<sup>6</sup>. **The Soviets were thinking in terms of forty to fifty years to bring about the desired results.** Castro believed they could be accomplished in thirty-five years<sup>7</sup>. The Soviets were more conservative because of the social changes they believed would have to be achieved in parallel, and because they had coordinated these changes with other events in their long-range plan to destroy the West.

The Soviets were also concerned that pushing drugs on high school students and children might be too radical and cause an undesirable counter-reaction. In their plan, the Soviet-preferred bourgeois targets were the technical élite, intellectuals, soldiers and college students.

Following the meeting between Cuban and Czechoslovak officials in Prague described above, a Czechoslovak delegation went to Havana to work out details for the participation of Cuban scientists in the joint studies, to explore the possibility of including even more than seventeen scientists, and to determine if it would be possible through Castro to recruit more 'progressive' scientists throughout Latin America to assist (unwittingly) in analysing the impact of drugs on society. The delegation was headed by General Oldrich Burda, Chief of the Zs. Accompanying him were the deputy chief of the Health Administration, the chief of research at the main military hospital (his speciality being neurology), and the deputy head of the Department of Science.

Castro also believed that more emphasis in Latin America should be placed on corrupting and recruiting the military. This was necessary in order to push the revolutionary movement forward, he argued; the politicians were already thoroughly corrupted. By 1988, resources throughout Latin America were reporting the heavy involvement of military officers and police officials in drug-trafficking. This was particularly true in Colom-

bia, its neighbours, and in Panama, Honduras and Mexico<sup>8</sup>.

Additionally, by 1967 the Cuban campaign to penetrate the 'independent' Latin American drug operations was nearing completion. Cuban intelligence now estimated that ninety percent of the targeted organisations had already been penetrated and Castro argued that the time had come to destroy the Latin American drug groups which still resisted penetration and were 'uncooperative'.

Sejna further reported that in the fall of 1967, the Soviets called a meeting of the Warsaw Pact intelligence chiefs in Moscow to discuss expanding the drug and narcotics offensive to take advantage of the Vietnam War and disaffection of American youth. This meeting was especially noteworthy, because it may have been the same meeting on which a Bulgarian intelligence officer reported following his defection to the West in 1970. There has been considerable data from Bulgaria, all of which, in essence, confirms Sejna's testimony. This particular source was Stefan Sverdlev, a colonel in the Bulgarian Committee for State Security (secret police), the *Komitet Darzhavna Sigurnost* (KDS). Sverdlev had been directly involved in Bulgarian drug-trafficking. He described the rôle of KINTEX, a 'private' concern formed as a covert subsidiary of Bulgarian intelligence to handle parts of the drug operation. He stated that in 1967, the heads of the Warsaw Pact security services met in Moscow to **'exploit and hasten the inherent 'corruption' of Western society'**.

A subsequent meeting of Bulgarian State Security officers in Sofia, Bulgaria, was held to devise a three-year plan for the implementation of the strategy. This plan led to a State Security directive issued in July 1970, the subject of which was 'the destabilisation of Western society through, among other tools, the narcotics trade'<sup>9</sup>. When he defected, Sverdlev brought with him KDS directive M-120/00-0050, which dealt with the movement of narcotics from the Middle East through Bulgaria to Western Europe and North America<sup>10</sup>. Further, in December 1969, West Germany captured 200 kilograms of morphine base in Frankfurt. Through chemical analysis, the West Germans were able to conclude that the base had been produced in Sofia, Bulgaria<sup>11</sup>.

By the early 1970s, discipline had been eroded in the US Army in Europe to the extent that serious questions of command had arisen. Even the mail service, which was used to distribute drugs, was corrupted<sup>12</sup>. A major clampdown ensued. Many soldiers were dishonourably discharged or reassigned. During the crackdown, the trafficking trail which was uncovered led back from American servicemen to Eastern Europe, with East Berlin, the German Democratic Republic, Hungary and Bulgaria prominently identified<sup>13</sup>.

Robin Bruce Lockhart, the son of the well-known (in intelligence circles) British diplomatic agent, R. H. Bruce Lockhart, has also reported on the movement of drugs across Europe to the US armed forces. 'The finest and most powerful heroin', he writes, 'comes from East Germany and is marketed in West Germany, where the West German police estimate that the US armed forces account for no less than sixty-five percent of its consumption and at a price one-thirtieth of that obtaining in the streets of New York'<sup>14</sup>.

What was especially noteworthy, again, was the low price. The objective is **political warfare**, *not the simple lure of high profits*, and the targets, in this case, are members of the US armed forces. As a further example of the tactics employed, opium was secretly added to marijuana – which was widely touted as being non-addictive and rather harmless at the time – to generate addiction covertly, without the user's knowledge. Similar tactics were also employed against US servicemen in Southeast Asia during the Vietnam War. High quality (white) heroin was sold to US servicemen as cocaine, which, at the

time, many people believed was a harmless, non-addictive drug.

It is particularly important that these kinds of tactics should be kept in mind when assessing what happened during the 1980s in the United States. Trafficking is not a simple case of demand stimulating supply. More often it is the reverse situation, with **the suppliers working hard to create demand**. This helps to explain the failures of the interdiction programs of the 1980s. Notwithstanding attempts to crack down on trafficking and the seizure each year of ever higher quantities of cocaine, the purity of cocaine on the market has steadily *increased* and the price has *decreased* – which is *exactly the opposite* of what US authorities had expected.

The casual explanation is increased supply and competition. The more informed observer might question this explanation and consider *other possibilities*; for example, political warfare and measures calculated to defeat the so-called war on drugs.

The last event in 1967 of significance that General Sejna recalled was the completion of an important study, the report on which was entitled *Minorities and Immigrants in the United States*. The study was prepared for the Czechoslovak Defence Council. The study had been triggered by a talk given by the Soviet Ambassador, Stepan Cervoneiko, to the Czechoslovak Defence Council. His message was simple. 'The minorities will help us change the white to the red'. 'White' referred to cocaine and 'red' referred to the Red Revolution. The report formalised the rôle of drugging the minorities in the revolutionary process. The two key minorities to be targeted were Black people and Hispanics.

The importance of minorities had long been recognised in Soviet strategy, but the previous focus had been on the East European minorities and on their use in espionage. After Brezhnev became General Secretary, policies under Khrushchev were reviewed and new priorities were established. During this review, Khrushchev was criticised for not placing more focus on the use of non-European minorities, particularly Black people.

The need to make greater use of Black people in drug-trafficking first surfaced as a major topic of discussion during a visit by Raúl Castro to the Soviet Union and Czechoslovakia in 1965. In preparation for that visit, the Soviets instructed Czechoslovak officials on the need to criticise Castro for his anti-Black bias and to convince him of the importance of bringing more Black people into the drug-distribution and sales business. While in Moscow, Castro met General Savinkin (head of the Administrative Organs Department: *see above*), who took the Soviet lead in the education of Raúl Castro.

Castro stopped off in Czechoslovakia after leaving Moscow, and the 'education' continued. Raúl persisted in complaining that the problem with Black people was that they were more Black than Communist. In response, the Soviet General who advised Czechoslovak military intelligence told Castro that business was business, and that not all spies were Communist. Indeed, he pointed out, most spies were not Communist.

During private conversations with General Sejna, Castro criticised Savinkin and the Soviets in general. Obviously, we cannot exist without the Soviets, Raúl told Sejna, but they are stupid and need to listen to us. The Soviets do not understand the psychology of the Caribbean. Raúl was referring to Savinkin's push to have Cuba use both Cuban and Caribbean Black people in the drug distribution process. This was bad strategy, Raúl argued. Cuban Black people should not be used for several reasons.

*First*, he would have to infiltrate them through Mexico, and he believed this would upset the Mexicans. *Secondly*, Cuban Black people would be readily identified as Cubans because of their accent. *Thirdly*, it was a good idea to use just Caribbean Black people in the



drug business, because the United States did not watch the Jamaicans, Haitians, Dominicans and other Caribbean nationals the way they watched the Cubans. *Fourthly*, many Black people in the United States were from other parts of the Caribbean and Blacks from those other parts of the Caribbean would have an easier job fitting in and selling drugs.

And in the fifth place, Castro was concerned about the reliability of Cuban Blacks. Here, Raúl was implicitly recognising the anti-Black bias of many of Fidel Castro's policies, which he believed militated against their use in such a sensitive operation. Raúl was not adverse to setting up a training program, which would include the resettlement of Cuban Black people on other Caribbean Islands for several years, until they had mastered local dialects. But for the immediate future, he was strongly opposed to using Cuban Black people in the drug program.

In the end, Castro agreed to use Cuban Blacks in intelligence operations that were not as sensitive as the drug business, and to begin training and using Caribbean Black people in the drug business. 'If you want more Black people, you will have more Blacks', Sejna recalls Castro finally agreeing, 'there is an inexhaustible supply in the Caribbean. But Caribbean Black people, not Cuban Blacks'<sup>15</sup>.

This strategy reached its maturity with the 1967 report on the use of minorities. The specific objectives in targeting the minorities set forth in the report, as recalled by General Sejna, were as follows:

- To speed up the revolutionary process,
- To create political instabilities,
- To force the United States to pay more attention to domestic issues and less to international problems, and:
- To create eco-racism.

The concept of eco-racism was a product of several years' research and study. The Soviet idea was that in the United States, it is money that is most important. This was especially true among the Black people whom the Soviets believed were more motivated by material (economic) factors than by political ideals.

That is, they thought in economic terms rather than in political terms. Moreover, their anger was directed more at economic issues than at perceived political inadequacies. As a Czechoslovak delegation reported after visiting the United States in September 1967, the minorities, mostly Black people, did not understand that freedom for them meant socialism (Communism).

When we spoke to them about Communism, we were met with hostility and anger, the delegation explained. But, when we discussed economics, the anger of representatives from the minorities immediately focused on the inequities of the capitalist system. Accordingly, the delegates recommended that propaganda work should indeed focus on economic inequities – rather than on Communism and its 'benefits'.

The 1967 report, which was completed in December, addressed the importance of using minorities to 'speed the revolutionary process'. With respect to Black people, numerous tactics were identified. Racism was to be promoted because it was a destabilising factor. Operatives were to be directed at youth, since older Black people were believed to be too intimidated by the White establishment. Narcotics and propaganda were to be employed to 'revolutionise' the Black people. Black unemployment was to be promoted. Emphasis was to be placed on the concept of 'taking' or making the Whites 'give', in opposition to the concept of Black people working for a living.

This report also emphasised the need to bring Hispanic and Black minorities

together. Hispanics were believed to be already well into drugs and by bringing them into closer contact with the US Black people, the use of drugs in the Black communities would be accelerated. The principal target of drugs would be the 'lumpen proletariat' – that is, the unemployed who were concentrated in the inner city ghettos. By pushing drugs into this group, crime and the general erosion of Western moral values would be stimulated because the use of drugs destroyed judgment and led people into crime, homosexuality, and other activities conventionally considered immoral.

The drug distribution chain or sequence in the United States was analysed in the report. The problem with the chain was that the majority of top bosses were White, while most of those who made up the base of the sales pyramid were Black. Two changes were therefore required. *First*, it was necessary to promote more Black people from street level into the organisation and management level. *Secondly*, it was necessary to bring Hispanics into the organisation. This was deemed advisable to avoid upsetting the Hispanics and also to avoid the undesirable problem of Black people being the only minority in control.

The report recommended making these changes as operations expanded, by promoting and training Black people and by bringing in Hispanics as new markets were opened. The combination of Black people and Hispanics would then be more effective in pushing drugs into the lumpen proletariat, which the Soviets believed was dominated by Black people and Hispanics. Together, Black people and Hispanics would form a '*spojena obcanska ohrana fronta*' or united citizen's defence front.

**The thesis of the report was that drugs pushed into the minorities would create 'incurable political destruction'. The estimate presented in the report was that by the year 2000, people with a lack of morals created mainly through drugs, people who were willing to take whatever measures were necessary to support the revolution, would have expanded to encompass an estimated forty-two percent of the population.**

In its 1989 report on the crack epidemic, the US Drug Enforcement Agency [DEA] concluded that: 'Large-scale, interstate trafficking networks controlled by Jamaicans, Haitians and Black street gangs dominate the manufacture and distribution of crack'<sup>16</sup>. The distribution of crack, which grew so rapidly in 1986, appears to be much more of an organised operation than a simple 'natural' phenomenon<sup>17</sup>.

Crack rapidly became recognised as the most dangerous drug to hit America. As William Bennett, director of the Office of National Drug Control Policy, explained on CBS's '*Face the Nation*' on August 13, 1989, drug crime is up, drug-trafficking is up, drug deaths are up, drug emergencies in US hospitals are up. The reason for all this is crack.

Two appendices to the DEA report on crack<sup>18</sup> contained data provided by field agents on individual cities. Throughout these brief city summaries, the groups dominating the manufacture and distribution were shown to be Haitians, Jamaicans, Dominicans and US Black people. Trafficking was most prominent within the lower income inner-city areas, particularly in Black and Hispanic neighbourhoods<sup>19</sup>. While little was said about the wholesalers, two groups were identified: Cubans and Colombians.

The entire discussion of the nature of distribution and sales suggested a well-organised and managed operation – an operation designed to use Black people against Black people. The reality in 1989 thus wholly matched Soviet strategy, operations, and the underlying rationale laid down more than twenty years previously.

Could this really have been *just mere coincidence*? ■

### References to Chapter 7:

1. The fall 1959 meeting was preceded by a May 1959 KGB meeting which resulted in a decision to increase the number of KGB agents targeted against Western technology by a factor of ten, according to the recollection of a former CIA counter-intelligence official.
2. Arthur M. Schlesinger, Jr., *Robert Kennedy and His Times*, op. cit., page 504.
3. Under Brezhnev, the banks and financial institutions became the third highest priority targets for intelligence infiltration.
4. Seymour M. Hersch, 'US Aides in '72 Weighed Killing Officer Who Now Leads Panama', *New York Times*, June 13, 1986, page 1.
5. See, for example, Michael Abramowitz, 'Pregnant Cocaine Users Reduce Risk by Stopping', *Washington Post*, March 24, 1989, page A10.
6. 'There is something of a consensus that the present serious drug crisis in the high schools – primarily marijuana, LSD, mescaline, and a few others such as amphetamines and barbiturates – began about 1967'. *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West* (New Rochelle, New York: Arlington House, 1973), op. cit., page 63. It is also interesting to note that in 1967, the Scholastic Aptitude Test scores used as college entrance exams began a decline which reached a low of 890 in 1980, down from the previous normal range of 965-975. Given the intensity of Castro's argument and his tendency to act without awaiting Soviet approval, it is logical to assume that Cuba had already begun the process of pushing drugs into US high schools at the time of the meeting in Moscow.
7. In a speech on international terrorism at the Congress of the European Christian Democratic Union held in Madrid in June 1986, Llamini Piccoli, President of the Italian National Council of Christian Democracy, dwelt at some length on collusion between terrorists and the international narcotics trade. He also quoted Raúl Castro as stating towards the end of the 1960s that drugs would be a decisive weapon to disrupt the fabric of Western democracies. He also mentioned the narcotics trade organised by Cuba and certain countries of Central America, under the dominant influence of Cuba and the USSR.
8. See also, Merrill Collett, 'Colombia's Drug Cartel Said to Aim at Military', *Washington Post*, April 11, 1988, page A17.
9. *Drugs and Terrorism*, 1984, op. cit., page 58.
10. Nathan M. Adams, 'Drugs for Guns: The Bulgarian Connection', *Reader's Digest*, November 1983.
11. *Drugs and Terrorism*, 1984, op. cit., page 59.
12. Times have not changed. In 1988, investigations of drug-trafficking by Panama-based US soldiers uncovered the use of the military mail system to ship cocaine. Michael Isikoff, 'Drugs Allegedly Shipped in Army Planes, Mail', *Washington Post*, June 2, 1988, page A3.
13. Additional details are available in Joseph D. Douglass, Jr. and Neil C. Livingstone, *America the Vulnerable: The Threat of Chemical/Biological Warfare* (Lexington, Massachusetts: Lexington Books, D.C. Heath and Company, 1987), pages 113-144.
14. Robin Bruce Lockhart, *Reilly: The First Man* (New York: Penguin Books, 1987), page 99.
15. In 1980, a Jamaican, Mr. Earlston Spencer, participated in a hearing held by the National Committee To Restore Internal Security. He explained how in 1974, the year after Michael Manley became Prime Minister of Jamaica, young people were openly recruited to go to Cuba for training, which included training in guerrilla warfare. The first Jamaican gangs or *posses* are believed by the US Justice Department to have appeared in the United States around 1974. These Jamaican *posses* subsequently became some of the main distributors of crack cocaine in the mid-1980s.
16. US Department of Justice, Drug Enforcement Agency, *Crack Cocaine Review 1989* (Washington D.C.: US Department of Justice, 1989), page 13.
17. Observations in the 1989 *National Drug Control Strategy* are quite interesting in this respect. 'Crack is an innovation in cocaine retailing that takes uncanny advantage of the nation's changing drug use patterns'. The White House, *National Drug Control Strategy* (Washington, D.C.: US Government Printing Office, September 1989), page 4.
18. *Crack Cocaine Overview 1989*, op. cit.
19. Consider, for example, the following extracts taken from the city and state summaries in Appendix A and B of *Crack Cocaine Overview 1989*, op. cit.:
  - ✱ **Amarillo:** Crack houses are run by American Black people who sell the majority of their product to Black buyers.
  - ✱ **Atlanta:** Crack cocaine has literally taken over the lower income drug market throughout the State of Georgia.
  - ✱ **Baltimore:** Haitians and Black people are the main traffickers.
  - ✱ **Boston:** Crack rapidly spread through the major cities in Connecticut, Massachusetts, Rhode Island and New Hampshire, confined to the Black inner-city areas. Subsequent intelligence disclosed that out-of-state Black gangs were vying for control. Availability of crack... is principally controlled by Dominican and Puerto Rican groups.
  - ✱ **Bridgeport:** Black people are still the main sources for crack. High-level Hispanic cocaine traffickers import cocaine and convert it into crack.

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✱ **Cape Cod:** In 1988, Black violators surfaced as key suppliers of cocaine to the Mid-Cape area.  
✱ **Dallas:** Crack distribution is controlled by a 500-700 member Jamaican-controlled cartel. Crack cocaine trafficking is primarily centred around the lower income, urban Black and Hispanic population.

✱ **Denver:** Crack houses are run by Jamaicans with the assistance of locally recruited Black females.

✱ **Fort Myers:** The cooks and distributors of the crack are mostly Black and the buyers cross all ethnic boundaries.

✱ **Hartford:** Black and Hispanic traffickers controlled the crack distribution to the Hartford area when it first surfaced.

✱ **Houston:** The crack problem is essentially situated in predominantly Black neighbourhoods.

✱ **Kansas City:** Reports substantial involvement of Jamaican traffickers.

✱ **Los Angeles:** Crack cocaine manufacture and distribution are primarily controlled by Black street gangs (the Bloods or the Crips) who have distribution networks throughout the northwestern and southwestern United States.

✱ **Lubbock:** Crack houses are typically motel rooms or empty houses run by American Black people who are supplied by Cuban wholesalers.

✱ **Miami:** Haitian and Jamaican illegal aliens are, for the most part, responsible for this phase [import and manufacture] of the operation. Local Black violators are responsible for local distribution, with some White assistance.

✱ **New Orleans:** A Black street gang (Crips) from Los Angeles has emerged as the main source of crack.

✱ **New York:** Primary crack traffickers are Dominicans and Black people. Dominicans are most active in upper Manhattan and the Bronx. Black traffickers control large areas of crack trafficking in middle-class and inner-city sections of Brooklyn, Queens and parts of the Bronx. Jamaicans and Haitian crack groups are not as large as the Dominican and Black groups, but they are involved in significant activity.

✱ **Newark:** Black and Jamaican gangs are the principal groups involved in street sales and distribution. Caucasians and Hispanics (predominately Dominicans) are active, but to a lesser degree.

✱ **Orlando:** The problem is located in poor Black neighbourhoods and Haitians are directly involved in many of the areas.

✱ **Philadelphia:** Crack cocaine houses, under control of Jamaican trafficking organisation, are beginning to surface.

✱ **Phoenix:** Crack cocaine is available in the public housing areas and is dealt entirely by Black people. Crack is supplied by the Crips and Bloods gangs of Los Angeles.

✱ **Providence:** Dominicans and out-of-state Black people control the distribution of crack. Most defendants are Dominican or US Black people.

✱ **San Diego:** Crack remains a serious problem in minority enclaves.

✱ **San Francisco:** Crack is an overwhelming problem in urban, lower class Black neighbourhoods.

✱ **Seattle:** Widespread availability of crack cocaine among all ethnic groups.

✱ **Tallahassee:** The majority of the crack cocaine clientèle are from the Black community. Suppliers are primarily Black traffickers in the Miami area, many of whom are either Jamaican or closely connected to Jamaican traffickers.

✱ **Tulsa:** Crack cocaine is readily available within the Black community.

✱ **Tyler:** Crack houses are managed by American Black people. Trafficking is primarily concentrated in Black communities.

✱ **Washington D.C.:** Utilisation of juvenile couriers, primarily Black teenagers, is a noted trend. A growing number of Jamaican distributors has entered the cocaine trade.

✱ **Wilmington:** Haitian crack distribution has grown from a limited market confined to Black Americans to open street selling in at least ten small communities. Most of the distributors are connected to the Haitian community located in the Fort Pierce, Florida, area.



# CUBA AND THE RISE OF NARCO-TERRORISM

On November 15, 1982, the American public was treated to a rare display of candour. That was the date on which four important Cuban officials, including two influential members of the Central Committee of the Communist Party of Cuba, were indicted by a Federal grand jury in Miami on charges of conspiring to bring drugs illegally into the United States.

The indictments of high-ranking Cubans opened the floodgates. A stream of additional indictments followed, the more important of which were those of Jorge Ochoa and Carlos Lehder Rivas, reputed Colombian drug kingpins; Norman B. Saunders, the Chief Minister of the Turks and Caicos Islands; Frederick Nigel Bowe, a high-ranking Bahamas Minister; Everette Bannister, Chairman of Bahamas World Airlines and a close associate of the Prime Minister, Lynden O. Pindling; Colonel Jean-Claude Paul, the strongman of Haiti; Frederico Vaughan, a high official in Nicaragua's intelligence service; Panama's military dictator, General Manuel Antonio Noriega; Manuel Ibarra Herrera, former head of the Mexican Federal Judicial Police; and Miguel Aldana-Ibarra, former head of the Mexican branch of Interpol.

As a result of the evidence presented in the indictments, a picture of many interconnected drug operations gradually emerged – a picture which, while admittedly incomplete, bears a striking resemblance to the overall description of what Soviet strategy, as described by Sejna, was intended to produce. The picture contained four primary features.

*First*, there are close linkages between drug-trafficking and terrorist-revolutionary activities; hence, the term narco-terrorism. These have led to the breakdown in law and order that, when coupled with drug-related corruption, is bringing about the destabilisation of a growing number of important countries, most notably Colombia, Venezuela, Peru and Mexico. In many cases the terrorists or guerrillas control or manage drug production and distribution. This basic phenomenon is not limited to Latin America. It is also present in varying degrees in the Middle East, Southeast Asia and Africa.

*Secondly*, while the vast number of people involved in drug-trafficking do not appear to hold any particular political philosophy, there is a disproportionate involvement of Communist party officials, government officials from Communist countries, agents from

Communist intelligence services, and Marxist revolutionary and terrorist organisations.

*Thirdly*, within the Americas, Cuba stands out. Cuba is clearly involved with numerous drug-trafficking operations and provides many functions, from recruitment to transshipment facilities, command posts, equipment supply, production and manufacture, transportation, sales and marketing, and finance<sup>1</sup>.

And *finally*, while money is always present as an obvious motivation, insofar as the higher officials involved with trafficking are concerned, the political dimension, specifically political warfare against the United States, is even more important than the money.

As a Soviet revolutionary centre<sup>2</sup> in the Caribbean, Cuba is the operational centre for drug-trafficking and for the training of revolutionary terrorists. (Nicaragua was becoming a second revolutionary centre, and was also active in drug-trafficking and in harbouring and training revolutionaries). Cuba provides a safe haven for Latin American drug-traffickers *en route* to the United States. For this, the drug-traffickers pay a fee. On their return trip to South America to pick up more drugs, they transport ammunition and supplies from Cuba to the revolutionary terrorists; for example, to the M-19 forces in Colombia<sup>3</sup>.

The manner in which narcotics trafficking and revolutionary or terrorist organisations operate together can be seen in the reports on Colombian<sup>4</sup> and Cuban operations. Terrorist or revolutionary groups provide protection for the drug-traffickers. The drug-traffickers help finance the terrorists and revolutionaries and furnish them with information (intelligence) and transportation assistance. In Colombia, the Marxist M-19 revolutionaries have close ties to Cuba and various drug-traffickers, of which the most highly publicised over the years has been the organisation known as the Medellín Cartel.

The Cartel has close ties to Cuba, Nicaragua and other countries. The principal linkage between the Medellín Cartel and the M-19, as explained by José I. Blandón Castillo, former Consul General of Panama, is the Cuban Ambassador, Fernando Ravelo Renedo. Ravelo works for Manuel Pineiro Losada, the head the Americas Department of the Central Committee of the Communist Party of Cuba<sup>5</sup> and former head of the DGI. The Americas Department (*Departamento de America*) has special responsibility for subversion and sabotage operations in the Western Hemisphere, including disinformation, terrorism, and drugs<sup>6</sup>. [Editor's Note: This was the position prevailing, of course, in 1990].

In Colombia and other countries, such as Peru, terrorists provide the drug producers with protection from the local police and military forces. The drug producers are alerted to possible raids on their facilities. They pass data to terrorists, who then ambush and kill the forces conducting the raids. This is good for the terrorists and for the producers, who in return provide funds, territory, and the supplies the terrorists need. As another example, when government officials decide to clamp down on drug-traffickers, the terrorists assist the traffickers by terrorising and killing officials, as they did in the case of the mass murder of the Colombian Ministers of Justice who were taking steps to extradite certain Colombian drug lords<sup>7</sup>.

The terrorists provide additional muscle when bribery is inadequate. Generally, bribery has worked quite well. Corruption through bribery is rampant in the Bahamas, Mexico, Colombia, Bolivia, Peru, Costa Rica, Haiti, Panama, the Caymans and Brazil. By using terrorists to perform violent acts, drug-traffickers are able to maintain their image as businessmen – businessmen with wide-ranging influence, but still just businessmen. The drug-traffickers are, therefore, from a government official's point of view, *good people to get along with*, people who can *pay for services*.

They bring money into the country and provide jobs. So what, if they also provide a product which damages 'capitalists'? It is the *terrorists* who are the bad guys. While this logic is blatantly fallacious, it is amazing how many people accept it and promote it, including many high-ranking officials in the United States.

The precise origins of narco-terrorism are uncertain. However, there are a variety of facts that point to its gradual emergence, perhaps more as a result of evolution and circumstance than direct planning. First, as reported by Sejna, the current Soviet strategy involving narcotics trafficking, terrorism and organised crime had its origins in about 1955, when Khrushchev set about modernising Soviet subversion and putting the world Communist movement back on course following Stalin's death.

The three activities – drug-trafficking, terrorism, and organised crime – provided complementary functions; and the Soviet Bloc activities in all three areas were managed by the strategic intelligence sections in the KGB and GRU intelligence services. These strategic intelligence sections perform only special tasks of strategic importance, the most important of which, as indicated earlier, are strategic espionage, drugs and narcotics, terrorism, deception and sabotage.

The combination of narcotics and terrorism was also identified in the 1950s and 1960s by Dr Ray Cline, the former Deputy Director of Intelligence, Central Intelligence Agency, who explained:

I have observed with horror the growing links in many areas between the three groups: the revolutionary political groups, who are, for the most part, Marxist-Leninist, anxious to create a state subordinate to the Soviet Union or one of its surrogate states, like Cuba; the narcotics traffickers, who need the protection that such revolutionary groups can give them and are willing to pay for it, and, in fact, are willing to finance the political revolutions with the proceeds of drug-traffic; and then the gun runners, the people involved in the illegal passing of guns to revolutionary groups and to narcotics traffickers<sup>8</sup>.

In the case of Bulgaria, the connection between drug-trafficking and terrorism was clearly evident in the early 1970s. Indeed, KINTEX is described by various sources as having dual tasks, the movement of drugs into Western Europe and the movement of guns and ammunition into the Middle East<sup>9</sup>. These are not totally independent activities, insofar as drugs are often accepted as payment for the guns and ammunition.

This method of operation has been connected with many terrorist organisations. For example, Jacques Kiére, Director of the Drug Enforcement Administration's national intelligence centre at El Paso, Texas, gave unpublished testimony on November 19, 1975, to the House Armed Services Committee on such swaps. He stated that 'five out of the ten known Mexican Marxist groups are known to trade Mexican heroin and other drugs for US guns'<sup>10</sup>. Similar data exists on revolutionary groups in Venezuela, the Dominican Republic, Brazil, Colombia, Peru, Burma, Panama and Bolivia.

But notwithstanding its early origins, the United States did not begin to wake up to what was happening concerning narco-terrorism until November 15, 1982, when four senior Cuban officials were indicted, along with ten others, by a Federal grand jury in Miami, Florida on charges of 'conspiracy to import marijuana and methaqualone from Colombia to the United States by way of Cuba'. The Cubans charged were Rene



Rodriguez-Cruz, an intelligence official and member of the Central Committee of the Communist Party of Cuba; Aldo Santamaria-Cuadrado, a Vice-Admiral in the Cuban Navy and also a member of the Central Committee; Fernando Ravelo Renedo, the Cuban Ambassador to Colombia, subsequently Ambassador to Nicaragua; and Gonzalo Bassols-Suarez, a former Minister-Counsellor of the Cuban Embassy in Bogotá and member of the Communist Party of Cuba. The ensuing publicity brought narco-terrorism out into the open for the first time.

The witnesses who provided the principal evidence at the ensuing trial (February 1983) were Juan Crump, a Colombian lawyer and drug-trafficker who negotiated with ranking Cuban officials for Jaime Guillot-Lara, a leading Colombian drug-trafficker; David Perez, a Cuban-American drug-trafficker who met the boats and delivered the goods into the United States; and Mario Estevez Gonzalez, a Cuban intelligence agent who was infiltrated into the United States during the Mariel boat lift, who received narcotics from Cuba, sold them in the United States, and then returned the proceeds to Cuban intelligence.

Colombian Juan (Johnny) Crump was asked to use his influence to obtain Cuba's assistance for the trafficker Jaime Guillot-Lara. During the ensuing negotiations with Cuba's Ambassador Fernando Ravelo Renedo and his deputy, Gonzalo Bassols-Suarez, Guillot-Lara wanted confirmation that 'if a drug shipment were lost, he would not have to pay the fee to Cuba. Then they say, Ravelo and Bassols, they, don't worry [*sic*], that they can wait, and they don't care about the money – OK? – that – **because his goal was hurt the United States full with drugs**' [*sic*]<sup>11</sup>.

This trafficking philosophy was also reported by Mario Estevez, who said he was ordered 'to load up the United States with drugs'<sup>12</sup>. The philosophy is especially interesting when considered alongside the known Soviet strategy, the objective of which was to bring about the intellectual stagnation of the United States, by means of the mechanism of achieving a maximum flow of drugs into the country, as discussed in Chapter 7.

Estevez further testified that he was directed by his DGI superior to make contact with drug-traffickers in Bimini and in the United States. During his drug-trafficking career, he imported over 270 kilogrammes of cocaine from Cuba, he said. He sold this cocaine to individuals in Miami, Chicago, Ohio, New Jersey, New York and other cities. He took the money he was paid to Cuba, where he delivered it to the Cuban Government. It was during one such trip that Rene Rodriguez-Cruz, a senior official of the DGI and a ranking member of the Cuban Communist Party Central Committee, put his arm on Estevez's shoulder and said how nice it was now that Cuba 'had a drugstore in the United States'<sup>13</sup>. Incidentally, Rodriguez-Cruz was one of the Cuban officials who had helped organise the Mariel boatlift used to infiltrate Cuban intelligence agents into the United States.

**According to testimony provided to the US Grand Jury in Miami, it is the Government of Cuba that is trafficking drugs and narcotics into the United States.** Cuba is also providing support to terrorist operations throughout Latin America. Both Fidel and Raúl Castro are directly involved, with Raúl the more active participant. The operation is secret and is run by Cuban intelligence, with other agencies participating on an 'as needed' basis<sup>14</sup>.

Further, as was explained in Congressional testimony on February 26, 1982, by Gerardo Peraza, a former official in Cuban intelligence, throughout the 1960s there was extensive cooperation between the Cuban DGI and the Soviet KGB. Subsequently, with effect from 1970, the Cuban intelligence service was placed directly under the direction of KGB Colonel Viktor Simenov. Mr Peraza stated that after 1970, the DGI had ceased to be a part-

ner of the KGB; rather, it had become a subordinate entity of the Soviet KGB<sup>15</sup>. Sejna explained that Cuban intelligence planning was integrated into overall Soviet Bloc planning in the 1968 intelligence plan which he reviewed in the fall of 1967. According to a Defence Intelligence Agency (DIA) report on international terrorism, the DGI has been 'essentially under the control of the KGB since 1969'<sup>16</sup>.

Major Florentino Aspillaga Lombard was a career officer in the Cuban DGI until his defection (ultimately to the United States) via Vienna on June 6, 1987, from Czechoslovakia, where he had been stationed. He confirmed that a powerful drug syndicate had been using Cuba since 1978 as a transshipment point for illegal narcotics into the United States<sup>17</sup>. Protection was provided by José Abrahantes, a Castro deputy who was Minister of Interior. None of the drug-related activities could have been carried out without the personal approval of Fidel Castro, he explained<sup>18</sup>.

In 1988 the rôle of Cuba in drug-trafficking was further confirmed by Major Antonio Rodriguez Menier, a Cuban intelligence officer and Chief of Security at the Cuban Embassy in Budapest, who defected in January 1987 [see page 56, Note 2 to Chapter 5].

He elaborated that the Cuban Government participated both directly and indirectly in narco-trafficking and that the Special Troops<sup>19</sup> of the Interior Ministry were used to coordinate operations. Rodriguez quoted the Chief of the DGI, General German Barreiro, as saying that **'drugs are the best way to destroy the United States'**. Their primary target was American youth. By undermining the will of American youth to resist, the United States could be destroyed *'without firing one bullet. The foundation of any army is the youth and he who is able to morally destroy the youth, destroys the army'*<sup>20</sup>.

In 1989, Rodriguez repeated his charges and confirmed what Aspillaga had said; namely, that drug operations could not have been carried out without Raúl and Fidel Castro's personal approval. He added that **'Fidel is not doing that only for money. His philosophy is to use anything to destroy the United States. For example, drugs are regarded as the best way to destroy American society without troops or guns, because the younger people who are the future leaders, if they are drug addicts, they are very weak'**<sup>21</sup>. What is especially noteworthy about such statements, of course, is that they precisely reflect Soviet drugs strategy.

In March 1989, two Colombian drug dealers pleaded guilty to smuggling cocaine into Florida through Cuba. Videotaped evidence included conversations of how the Cuban military and civilian officials aided the traffickers. Reinaldo Ruiz and his son Ruben are shown telling a DEA informant how Cuba guarantees the success of cocaine loads run through the island and how the money paid for the service goes to Fidel Castro. The US Attorney, Dexter Lehtinen, stated: 'We believe the evidence presented in court details complicity on behalf of high-ranking Cuban officials'<sup>22</sup>.

Besides Colombia, Cuba has also been closely linked with Panama and Nicaragua in drug-trafficking and gun-running. In the case of Panama, General Noriega was indicted on February 4, 1988. The indictment named 15 others and directly tied Noriega to Colombia's Medellín Cartel. Following the indictment, the US Government tried to force Noriega out of office. Suddenly there emerged a flood of information on Noriega's questionable activities. Drug-trafficking was the first of these; and this had been the case extending as far back as 1970. Gun-running was the second; and not just to non-Communist dissident forces, but to terrorists and Communist revolutionaries. This data also extended back to the early 1970s.

But the activity of greatest concern appears to have been Noriega's growing links to

Cuba and Cuban operations in Panama. Noriega had allowed Cuban intelligence to set up several hundred bogus corporations in Panama to circumvent the US trade embargo against Cuba<sup>23</sup>. Panama became a conduit for theft by the Soviet Bloc of US high technology. Even more serious was the growing Cuban military presence, which involved the shipment of weapons by Cuba – automatic rifles, rocket-propelled grenades, hand grenades and ammunition – into Panama, and often through Panama to revolutionary forces in other Latin American countries; guerrilla and special forces training given to Noriega's military (referred to as 'Dignity Battalions'); Cuban commando units which were reported to be conducting limited attacks on US military installations in Panama (for example, Howard Air Force Base was the target of an assault on April 12, 1988); and Cuban military advisers and intelligence support officials, whose numbers US officials estimated to be between thirty and fifty, although one defector put the number at 3,000<sup>24</sup>.

When the United States finally intervened in Panama on December 20, 1989, it would seem that far more impetus was provided by the need to bring an end to the growing military presence of Cuba (and, hence, of the Soviet Union) than to the assistance Noriega was providing to drug-traffickers and money-launderers. The drug business provided the rationale to remove Noriega; but the growing potential of Cuban and Soviet control mechanisms in Panama was even more serious<sup>25</sup>.

The importance of Panama is obvious. Panama occupies a geostrategic position of exceptional importance, which may well explain why Panama was one of the first targets for the Soviet-Czechoslovak-Cuban drug-trafficking expansion into Latin America.

Evidence also surfaced concerning drug and narcotics trafficking by the Government of Nicaragua, and of its close relationship with Cuba. This evidence was provided, among other sources, by Antonio Farach, Former Minister Counsellor to the Nicaraguan Embassies in Venezuela and Honduras; by James Herring, an American who assisted the Government of Nicaragua in establishing cocaine production and transportation; by Ubi Dekker, a European hashish trafficker who dealt with Nicaraguan officials in establishing trade routes for Nicaraguan drug-trafficking into Europe; and by Alvaro José Baldizón Aviles, an official in the Nicaraguan intelligence service.

Antonio Farach's first knowledge of Nicaraguan drug-trafficking materialised in 1981, when he learned that Raúl Castro had visited Nicaragua in September that year and had met Humberto Ortega. The visit signalled the beginning of a 'new and special business' relationship. Farach deduced from other information that Cuba had offered to guarantee in a reasonable and safe manner the entry of the Nicaraguan Government into drug-trafficking. When asked whether Castro offered or ordered the Nicaraguans' entry into the drug business, Farach could not state which. But he did say that the relationship between the two countries was never one of respect. The Cubans always spoke as if they were the bosses. They were always very arrogant and demanding. They do not suggest in Nicaragua. They order in Nicaragua<sup>26</sup>.

Baldizón, a former Nicaraguan counter-intelligence officer, confirmed the arrogant rôle of Cuban advisers in the Nicaraguan intelligence and military services. The presence of Cuban advisers and instructors was 'pervasive', he explained. Their mission was to provide substantive advice, to implement security systems and methods employed in Cuba, to support the Nicaraguan leadership in the planning and execution of combat operations, to oversee ideological development, to ensure close coordination between Nicaraguan and Cuban security services, and to prepare war plans. The Cuban influence

on decision-making in the Ministry is virtually complete and Cuban advice and observations are treated as though they were orders'. Cubans operating out of the Cuban mission also performed a counter-intelligence rôle in Nicaragua. Other advisers and technicians identified by Baldizón were from East Germany, North Korea, Bulgaria, and the USSR<sup>27</sup>.

Similar observations were provided in 1988 by Major Aspillaga [see page 81], who described the Marxist Sandinistas as being under Castro's 'complete control'. In particular, he described communications intercepts from 1980 in which Castro ordered the Nicaraguan Defence Minister, Humberto Ortega, to arrange for his brother, Daniel Ortega, to assume the post of Nicaragua's political leader, so that Humberto could maintain control of the armed forces. The key advisers in the Nicaraguan Government, including the intelligence chief, were Cuban intelligence officers, Aspillaga [see page 81] explained<sup>28</sup>. He also said that the Cubans were training Nicaraguan Sandinista agents and performing counter-intelligence work. Moreover, a key intelligence official in the Nicaraguan Interior Ministry is a Cuban who married a Nicaraguan woman, but who still works for Cuban intelligence<sup>29</sup>. Additionally, Colombian drug-traffickers met Raúl Castro regularly in Cuba, Aspillaga said. Raúl is Fidel's right-hand man for all clandestine operations and Fidel viewed drugs as **'a very important weapon against the United States, because drugs demoralise people and undermine society'**<sup>30</sup>.

The nature of Cuban advisers in Nicaragua as described by Farach, Baldizón, and Aspillaga appeared to be remarkably similar to the nature of Czechoslovak advisers in Cuba in the early 1960s who launched the Soviet takeover, with the Cubans in Nicaragua performing the rôle that the Czechoslovaks had played in Cuba. In line with this, one should suspect that half of the 'Cuban' advisers and instructors in Nicaragua might well have been Soviets operating under Cuban cover and that the real Cubans present were probably recruited and trained by the Soviets and now operated as Soviet intelligence agents. This might help to explain the arrogance observed by Farach and Baldizón.

When Farach asked other Nicaraguan officials why their revolutionary government should become involved in drug-trafficking, he was told: 'In the first place, drugs did not remain in Nicaragua. The drugs were destined for the United States. **Our youth would not be harmed, but rather the youth of the United States, the youth of our enemies. Therefore, drugs were used as a political weapon because in that way we were delivering a blow to our principal enemy**'<sup>31</sup>. The second reason he was given was 'in addition to a political weapon against the United States, drug-trafficking produced a very good economic benefit which we needed for our revolution. Again, in a few words, we wanted to provide food for our people with the suffering and death of the youth of the United States'<sup>32</sup>.

Nicaragua's participation in drug and narcotics trafficking into the United States sprang from Raúl Castro's meeting with Humberto Ortega. The narcotics operation itself was placed under the Nicaraguan intelligence service, with Tomas Borge, the Minister of Interior and head of the intelligence service, in charge of the operation, and his deputy, Frederico Vaughan, the chief of staff.

Frederico Vaughan was indicted in 1986 in the US District Court, Southern District of Florida, along with Carlos Lehder, the Ochoa family, Pablo Escobar Gaviria, and others, on twenty-four counts of producing and smuggling cocaine into the United States, conspiracy, obstructing justice, and related crimes. James Herring, an American who was recruited by Robert Vesco for various nefarious tasks, has described how he was introduced to Nicaraguan and Cuban Government officials, and his work in 'drugs and high-tech smuggling'. He made a total of four trips to Cuba and four trips to Nicaragua. He

was always 'escorted and treated very well by dignitaries from both governments'. In Herring's opinion, the operation was government-initiated<sup>33</sup>.

Ubi Dekker is a cover name for a European who was a prominent Interpol fugitive and international narcotics trafficker; his true identity is concealed for security reasons. When he was asked if the trafficking was not really just the work of a few corrupt officials, Dekker responded, 'Completely doubtful. It's impossible.... It is the total [Cuban] Government'. The Cuban Government provided security, facilities, manpower, in short, everything; and there was a direct linkage between Cuba and Nicaragua<sup>34</sup>.

Baldizón's debriefing by US officials was particularly revealing. From 1982 until his defection on July 1, 1985, Baldizón was the chief investigator of internal abuses within the Nicaraguan Ministry of Interior. In 1984, Baldizón's office received reports linking Interior Minister Tomas Borge with cocaine trafficking. Baldizón was instructed to investigate this as a compromise of a state secret. He thought this was a mistake, because he could not believe his government was involved in narcotics trafficking. Thus, he went to the chief of his office, Captain Charlotte Baltodano Egner, and asked her if the matter should not be investigated as a slander against the Minister. Baltodano was taken aback and said that the office should not have received the report.

The fact that Borge had involved the government in narcotics trafficking was highly classified, she explained, and known in the Ministry only to Borge, his assistant [Frederico Vaughan], the chiefs of police and state security, and to her. Outside the Ministry it was known only to members of the FSLN's National Directorate. Baldizón also provided additional details concerning Borge and cocaine trafficking and the use of the money 'for mounting clandestine operations by the Intelligence and State Security Department outside Nicaragua'<sup>35</sup>. Baldizón died in 1988, in California<sup>36</sup>.

In 1987, another high-ranking official from the Nicaraguan Government defected to the United States: Major Roger Miranda Bengoechea. Miranda also confirmed Nicaragua's involvement in drug-trafficking. He reported how, one day, the Defence Minister, Humberto Ortega, told him that trafficking was Borge's operation, and added: *'It's a way of waging war on the United States. It also provides a profit'*<sup>37</sup>.

Reports on narcotics trafficking in other Latin American (and Caribbean) countries, including Mexico, Panama, Colombia, Peru, Bolivia, the Bahamas, Haiti, Jamaica, Honduras, Brazil, Venezuela and Argentina are similar, differing mainly in degree and in respect of how advanced the trafficking operation has become. The primary similarities are drug-related corruption, participation of high government officials, the growing involvement of the military or police, and linkages to Cuba or Nicaragua. Communist involvement tends to be present, but is not as directly evident as is the case in Cuba and Nicaragua.

The principal differences between reported conditions in the non-Communist countries listed above and in Cuba and Nicaragua are that, in the case of Cuba and Nicaragua, drug-related activities are directly performed as initiatives of the Communist Government – so that there are no problems between the government and the drug-traffickers, nor do serious instabilities arise because of drug-trafficking.

The destabilisation potential inherent in the corruption which accompanies drug production, trafficking, and money-laundering may be even more dangerous and damning than the social problems caused by drugs, because it provides the foundation for revolution and takeover. This is where narco-terrorism has its primary impact, with the narcotics operations sabotaging law, order, economics and societal cohesion. When the situation has suffi-

ciently deteriorated, the revolutionary terrorists can proceed to overthrow the government.

This destabilisation process was described in 1985 by Jon Thomas, Assistant Secretary for International Narcotics Matters, US Department of State, as follows: 'The traffickers in fact may have killed their golden goose. They have polluted their own countries with their drugs. Now added to the incentives for controls... [are] the undermining of economies, the erosion of public institutions, the corruption of law and order, the violence and the threats of narco-terrorists, and insurgent groups who capitalise on the drug trade, and the destabilisation of governments'<sup>38</sup>. In one sense, Thomas is absolutely correct. However, there is another dimension – namely, that these 'incentives' which contribute to destabilisation are not unwanted results, but rather desired objectives. **They are not killing the golden goose; they are building a revolutionary base for their own golden goose.**

Nor is this where the story ends, because there is an even more important dimension. In his testimony, Thomas was addressing the situation in Latin America. But what is happening is not limited to Latin America. It is happening around the world, including the United States. The breakdown of law and order is especially evident in those US States most closely associated with drug-trafficking and money-laundering; for example, Florida, Arizona, New Mexico and California. A prime example of the erosion of police capabilities, for a time, was evident in Washington, D.C., where the police frankly admitted they were out-gunned. On March 24, 1989, D.C. Police Chief Maurice T. Turner, Jr. said that the police could do little about the escalating homicide rate, other than wait until local drug dealers finished carving up the city into markets<sup>39</sup>. This echoes the sentiments of police in more than a dozen major cities. In a special report published in 1989 on growing anarchy within urban America, *US News & World Report* concluded that 'combat like conditions' exist in New York, Boston, Philadelphia, Baltimore, Washington, Miami, Cleveland, New Orleans, East St. Louis, Detroit, Chicago, Atlanta, Houston, Dallas, Oakland and Los Angeles<sup>40</sup>.

The challenges and human frailties that give rise to these problems are not limited to Latin America. They exist everywhere, the United States being of course no exception, which is another reason why drug-trafficking is far more serious than public and official government perceptions of the problem allow. ■

### References to Chapter 8:

1. Cuba's participation in all these activities has been explained by numerous defectors and former narcotics traffickers. A collection of news media reports following the November 1982, indictment has been published as *Castro and the Narcotics Connection* (Washington, D.C.: The Cuban American National Foundation, Inc., 1983) and *Castro's Narcotics Trade* (Washington, D.C.: The Cuban American National Foundation, Inc., 1983). See also Ra'anani, *Hydra of Carnage*, *op. cit.*, pages 431-476.
2. A 'revolutionary centre' is a base for the training and export of revolutionary activity. See Footnote 3, Chapter 3, for further information about 'revolutionary centres'.
3. See US Congress, Senate, *The Cuban Government's Involvement in Facilitating International drug-traffic*, Joint Hearing Before the Subcommittee on Security and Terrorism of the Committee on the Judiciary and the Subcommittee on Western Hemisphere Affairs of the Foreign Relations Committee and the Senate Drug Enforcement Caucus, Miami, Florida, April 30, 1983 (Washington, D.C.: US Government Printing Office, 1983). Detail on the Soviet connection by former Cuban intelligence agents can be found in US Congress, Senate, *The Role of Cuba in International Terrorism and Subversion*, Hearings Before the Subcommittee on Security and Terrorism of the Committee on the Judiciary, February 26, March 4, 11, and 12, 1982 (Washington, D.C.: US Government Printing Office, 1982).
4. For a presentation of the growth of the Colombian cocaine cartels and linkages to terrorists, see Gugliotta and Leen, *Kings of Cocaine*, *op. cit.*
5. US Senate, *Hearings Before the Subcommittee on Terrorism, Narcotics and International Operations of the Committee on Foreign Relations*, February 9, 1988, unpublished stenographic transcript, morning session, pages 68, 71, afternoon session, page 41.
6. See US Congress, Senate, *Terrorism: The Role of Moscow and Its Subcontractors*, Hearing

Before the Subcommittee on Security and Terrorism of the Committee on the Judiciary, June 26, 1981 (Washington, D.C.: US Government Printing Office, 1982), page 10. For an excellent review of the evolution of the Americas Department, see Rex A. Hudson, *Castro's Americas Department* (Washington, D.C.: The Cuban American National Foundation, Inc., 1988).

Interestingly, Pineiro was one of two men Castro despatched on a secret mission to Chile's embattled Marxist-Leninist President, Salvador Allende, only six weeks before Allende's overthrow in 1973. Pineiro and the Cuban Deputy Prime Minister, Carlos Rafael Rodríguez – who also headed Cuba's Communist Party – bore a hand written note from Castro urging Allende to fight to the death should revolution materialise. Pineiro succeeded as secret police chief Luis Fernandes Ona, sent by Castro to aid in shoring up the Allende regime in its early days, and who subsequently married one of Allende's daughters. Whelan, *Out of the Ashes*, op. cit., page 407.

7. See, for example, Bradley Graham, 'Colombian Supreme Court Overturns Extradition Pact With US', *Washington Post*, June 27, 1987, page A 16.

8. US Senate, *International Terrorism, Insurgency, and drug-trafficking: Present Trends in Terrorist Activity*, Joint Hearings Before the Committee on Foreign Relations and the Committee on the Judiciary, May 13, 14 and 15, 1985 (Washington, D.C.: US Government Printing Office, 1986), page 31.

9. *Drugs and Terrorism*, 1984, op. cit.

10. Workman, *International Drug-trafficking* op. cit., pages 2, 28.

11. US Congress, Senate, *The Cuban Government's Involvement in Facilitating International drug-traffic*, Joint Hearing Before the Subcommittee on Security and Terrorism of the Committee on the Judiciary and the Subcommittee on Western Hemisphere Affairs of the Foreign Relations Committee and the Senate Drug Enforcement Caucus, Miami, Florida, April 30, 1983 (Washington D.C.: US Government Printing Office, 1983), page 23.

12. *Ibid.*, page 45.

13. *Ibid.*

14. Testimony of the witnesses is contained in *The Cuban Government's Involvement in Facilitating International Drug Traffic*, op. cit.

15. US Congress, Senate, *The Role of Cuba in International Terrorism and Subversion*, Hearings Before the Subcommittee on Security and Terrorism of the Committee on the Judiciary, February 26, March 4, 11 and 12, 1982 (Washington, D.C.: US Government Printing Office, 1982), pages 6-26.

16. US Defence Intelligence Agency, *The International Terrorist Network*, Report 6 010 5026 83, May 6, 1983, cited in Workman, *International Drug-trafficking*, op. cit., page C-1.

17. The expansion of the Cuban drug operation in about 1978, followed by the Mariel boatlift, a Cuban intelligence operation, in 1980, may have been facilitated by the massive destruction of US internal security that began in the early 1960s and had reached about 95 percent of its peak by 1978. There was no mistaking what was happening, and it included a massive curtailment of FBI internal security investigations. In 1974, the FBI had over 55,000 open cases on subversives and extremists. As a result of the Privacy Act, self-policing during the Church and Pike committee investigations, and the initial impact of the Levi guidelines, the number of domestic security cases had fallen to roughly 20,000 by the summer of 1976. One year later, the number had plummeted to 102. By 1982, the number of active FBI cases was only 14; four organisations and 10 individuals. By 1978, the United States was a ripe and vulnerable target for foreign intelligence operations, which the Mariel boatlift could well have been designed to exploit. See Joseph D. Douglass, Jr. and Neil C. Livingstone, 'Terrorists Find That US Offers Inviting Targets', *Detroit News*, April 29, 1984, page 23A. 1976 also appears to be the year when the first Jamaican gangs (*posses*) which figure so prominently in the distribution and sales of crack, entered the country. DEA, *Crack Cocaine Overview 1989* (Washington, D.C.: US Department of Justice, 1989), page 7.

18. Bill Gertz, 'Castro Runs a Resort for Narcotics Dealers', *Washington Times*, March 23, 1988, A1.

19. As explained by Sejna, special troops, or *spetsnaz* in the Soviet vernacular, are specially trained intelligence sabotage forces whose missions support strategic intelligence operations. Their work is performed for the strategic intelligence directorates in civilian and military intelligence, which is also responsible for narcotics trafficking. The duty of *spetsnaz* units is to undermine the political, economic, military and moral stability of the enemy.

20. Carlos Alberto Montaner, 'A Conversation with a Cuban Intelligence Agent', *El Nuevo Herald*, Miami, June 5-6, 1988, translation by Cuban American National Foundation.

21. Bill Gertz, 'Castro Wants to Destroy US with Drugs, Defector Charges', *Washington Times*, August 28, 1989, page A3. See also Don Podesta, 'Ex-Cuban Officer Says Castro Profited from drug-trafficking', *Washington Post*, August 26, 1989, page A17.

22. Michael Hedges, 'Drug Money Ends Up in "Drawer of Fidel"', *Washington Times*, March 10, 1989, page A5.

23. See, for example, Joe Pichirallo, 'Cuba Used Noriega to Obtain High-Tech US Goods, Defector Says', *Washington Post*, April 27, 1988, page A24.

24. See, for example, Lou Marano, 'Marxist Brigade Infiltrates Panama to Defend Noriega', *Washington Times*, April 5, 1988, page A1; Peter Almond and Bill Gertz, 'Shadow of Cuba Grows in Panama', *Washington Times*, April 29, 1988, page A1; Peter Samuel, 'Cuba Tightens Grip on Panama', *Washington*

*Inquirer*, June 24, 1988, page 1; Georgie Anne Geyer, 'Castro's Insidious Hand in Panama', *Washington Times*, December 27, 1989, page F1; and Roger W. Fontaine, 'Who Is Manuel Antonio Noriega?', in Victor H. Krulak, editor, *Panama: An Assessment* (Washington, D.C.: United States Strategic Institute, 1990).

25. In an action such as this, there are usually a number of motivating factors. Certainly, Noriega's drug operations and his growing links to Cuba are two very persuasive and obvious ones. But, there are others, not so evident, that may be equally, if not more, important. For example, there was almost certainly a growing antagonism towards Noriega within the US policymaking establishment. This establishment is generally anti-military, and is strongly against military dictators. The strong bias against military leadership in Latin America which came out into the open in 1969, is reported by Richard A. Ware, then-Principal Deputy Secretary of Defence (International Security Affairs): 'In 1969 individuals in State were allied with some in ISA in an almost messianic mission of social reform in Latin American countries. Essentially, this meant removing the military from positions of authority, with the resultant ascendancy of left-wing forces. Contacts with the military were minimised, and Defence was substantially removed from any rôle in the formulation of US policy. It was as if there were no national security interests south of the border'. Richard A. Ware, *The Pentagon's Office of International Security Affairs 1969-1973 or Two Citizens Go to Washington* (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1986).

Juan B. Sosa was Ambassador of Panama to the United States from October 1987 until the closing of the Embassy following the May 1989 election. He writes that 'Noriega's difficulties mounted during 1986, even as he continued to tighten the reins of his control over the military and political sectors of Panamanian society. His image abroad was damaged by a series of articles in the *New York Times* linking him to the narcotics trafficking. 'The Political and Economic Crisis of Panama', *Panama: An Assessment* (Washington, D.C.: United States Strategic Institute, 1990), page 18.

The articles Sosa probably referred to were: Seymour M. Hersch, 'Panama Strongman Said to Trade in Drugs, Arms and Illicit Money', *New York Times*, June 12, 1986; Seymour M. Hersch, 'US Aides in '72 Weighed Killing Officer Who Now Leads Panama', *New York Times*, June 13, 1986; and Seymour M. Hersch, 'Panama General Said to Have Told Army to Rig Vote', *New York Times*, June 22, 1986. The first article appeared in the week that Noriega was visiting the United States. The articles were not just focused on drug-trafficking and money-laundering. Equal weight was given to a wide variety of activities, including providing arms to South American guerrillas, notably the Colombian M-19, assassinating a political opponent, providing intelligence information to Cuba, enabling and profiting from Cuban technology theft operations run out of Panama, buying secret National Security Agency (NSA) documents from a US Army sergeant and transferring them to Cuba, and overturning the results of the 1984 election. As an interesting aside, when the US forces took over Noriega's office and home following the invasion on December 20, 1989, they found a variety of witchcraft or voodoo paraphernalia. Among the collection was a *tamale* inside which were two pieces of paper with the names Seymour Hersch and John Poindexter written on them.

In the five years prior to the attack on Noriega in the *New York Times*, Noriega ousted several civilian challengers and tightened his grip on Panama. As part of this operation, he also appears to have been asserting his control (and profit sharing) of the money-laundering process that involved all the banks in Panama. This may have further antagonised the US policymaking establishment. Additionally, William R. Gianelli, former Chairman of the Panama Canal Commission wrote that the economic sanctions imposed in April 1988, extended for an additional year in April 1989, to drive Noriega out, were unsuccessful; and that, as a result, American businesses were having to curtail or close activities, so that the international banking community was also seriously affected. 'The Panama Canal and the Canal Zone: Status and Prospects', *Panama: An Assessment*, *op. cit.*, page 10. Adding insult to injury, in January 1989, Noriega opened his own bank, Banco Institucional J1. These events may also have contributed significantly to the decision to invade Panama implemented in December 1989.

26. US Senate, *Drugs and Terrorism, 1984*, Hearing Before the Subcommittee on Alcoholism and Drug Abuse of the Committee on Labour and Human Resources, August 2, 1984 (Washington, D.C.: US Government Printing Office, 1984), page 83.

27. *Information Supplied by Alvaro Baldizón Aviles*, unedited and unpublished draft produced during debriefings with US Government representatives, S/LPD 6326751, pages 16-17. Testimony by Miguel Bolanos, a counter-intelligence officer in the Sandinista State Security apparatus, also supports the important rôle of Soviet Bloc advisers in Nicaraguan intelligence. In Bolanos's counter-intelligence section there were two Soviet advisers and one Cuban adviser. Bolanos reported that in State Security there were 70 Soviet, 400 Cuban, 40-50 East German and 20-25 Bulgarian advisers. *Inside Communist Nicaragua: The Miguel Bolanos Transcripts* (Washington, D.C.: Heritage Foundation, September 30, 1983), pages 8-9).

28. Gertz, 'Castro Runs a Resort for Narcotics Dealers', *op. cit.*, page A6.

29. Joe Pichirallo, 'Cuba Used Noriega to Obtain High-Tech US Goods, Defector Says', *Washington Post*, April 27, 1988, page A24.

30. David Brock, 'The World of Narco-terrorism', *The American Spectator*, June 1989, page 27.

31. *Drugs and Terrorism, 1984*, *op. cit.*, page 79.

32. *Ibid.*, page 80.



33. US Congress, Senate, *Rôle of Nicaragua in drug-trafficking*, Hearing Before the Subcommittee on Children, Family, Drugs and Alcoholism of the Committee on Labour and Human Resources, April 19, 1985 (Washington, D.C.: US Government Printing Office, 1985), pages 27, 32 and 34.

34. *Rôle of Nicaragua in drug-trafficking*, *op. cit.*, page 41.

35. *Information Supplied by Alvaro Baldizón Aviles*, *op. cit.*, page 11.

36. The coroner's report states that death was caused by an aneurysm in the brain (stroke). Unofficial reports say that this happened several hours after Baldizón had dinner at his favourite Nicaraguan restaurant. There is, of course, the possibility of assassination. A class of Soviet-preferred assassination weapons are poisons that result in deaths by apparently natural causes hours to days after the poisons are administered. The types of 'causes' employed include heart attacks, strokes, and fast-acting cancers and hard-to-treat diseases.

37. Trevor Armbrister, 'Nicaragua's Secret Plan', *Reader's Digest*, April 1988, page 76.

38. US Congress, Senate, *International Narcotics Control Report*, Hearing Before the Subcommittee on Children, Family, Drugs and Alcoholism of the Committee on Labour and Human Resources, March 13, 1985 (Washington, D.C.: US Government Printing Office, 1985), page 8.

39. Eric Pianin, 'Turner Says Police Can't Halt Killings', *Washington Post*, March 25, 1989, page A1. See also Sari Horwitz, 'Berry Says Slayings Are Unstoppable', *Washington Post*, October 20, 1989, D1.

40. Thomas Moore et al., 'Dead Zones', *US News & World Report*, April 10, 1989, page 22.

# HEAR NO EVIL, SEE NO EVIL, SPEAK NO EVIL

Throughout the 1950s, Harry Anslinger, the US Commissioner of Narcotics, worked hard to make people recognise that Communist China was the primary force responsible for narcotics trafficking'. 'The mafia', he explained in response to misleading press reports, 'was not the biggest drug dealer. This was a false impression. By far the biggest drug dealer was Peking'. Anslinger provided extensive data to the United Nations and to the US Congress. He identified the Chinese government agencies that were involved, as well as numerous trafficking routes out of China through North Korea and Southeast Asia into Japan, the Philippines, Hawaii, Alaska, Mexico and the United States. He led operations to attack known distribution nets. But while he was unable to stop the flow, at least he did identify the source of the offensive: **Communist China**.

Then, in the early 1960s, something happened. In a study of Chinese narcotics trafficking, Stefan T. Possony observed: 'Beginning in the early 1960s, the subject [Communist China's drug offensive against the United States], which originally had attracted great attention, became an 'unsubject', to paraphrase Orwell<sup>2</sup>.

In a detailed analysis of the problem, A. H. Stanton Candlin observed the same phenomenon, which he explained in the following terms:

'The matter was handled differently until about 1962, before which year the United States showed signs of official comprehension of the problem. Since then, the threat has apparently been concealed from the public by persons who have evidently had the desire to cultivate better relations with the Red Chinese. The Chinese are the principal miscreants in this criminal conspiracy and they have been able, of late, to obtain protection and support in unexpected quarters<sup>3</sup>.

It is, perhaps, no mere coincidence that 1962 is the year in which Harry Anslinger retired and that in 1961 the pro-China interests moved into the State Department<sup>4</sup>. This coincidence is interesting, especially when coupled with the Soviet intelligence on the 1957 meeting of China's Central Committee, when it was decided to encourage overseas investment in China.

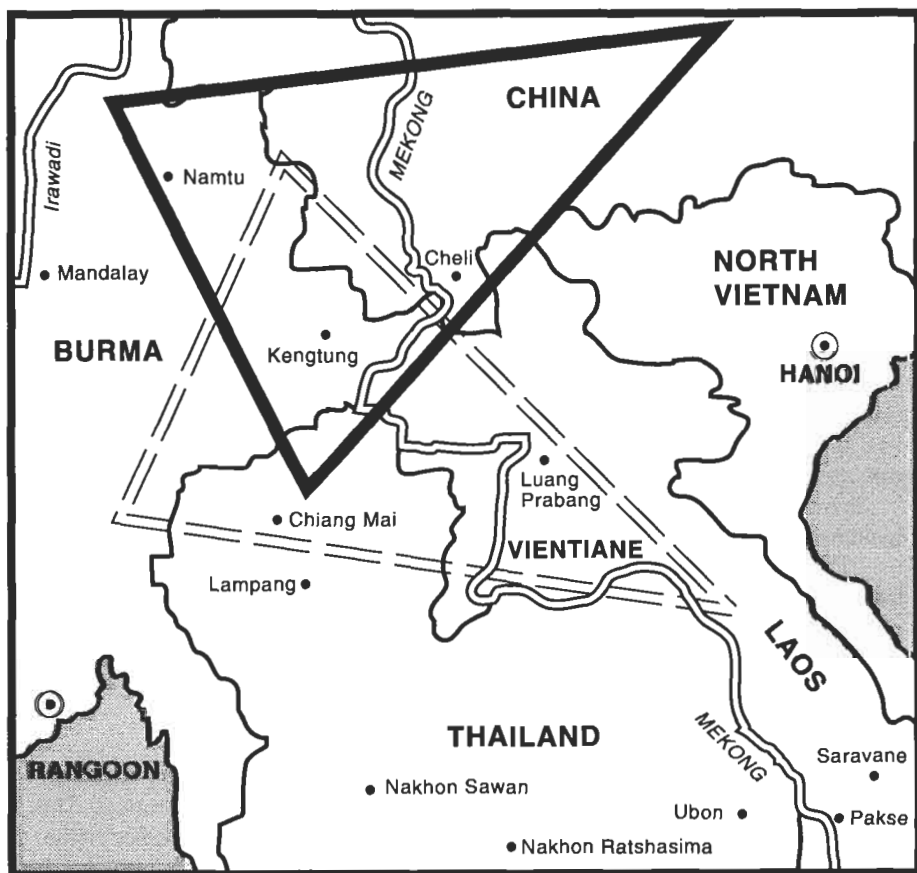
In 1969, President Nixon declared war on drugs. One of the first measures taken was

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to identify the sources of the problem. In one instance, analysts at the Central Intelligence Agency began looking at drug-trafficking emanating from Southeast Asia. Drawing on a massive amount of detail from a wide spectrum of sources, the first map was drawn of the 'Golden Triangle' – then regarded as the main source of drugs and narcotics<sup>5</sup>.

The triangle included parts of Thailand, Burma, Laos, and, especially, Yunnan Province, China, as shown by the solid line triangle in *Figure 2* below. The northeast tip of the triangle was located well up in Yunnan Province, near Kunming. Yunnan Province was, indeed, the dominant source, both in its own right and through its control of and assistance to operations in northern Burma and Thailand. As the CIA Far East specialist who constructed the map described the position, the triangle was really a 'Golden V' the apex of which was in the region where Thailand, Burma and Laos came together. Most of the area, the funnel of the V, was in Yunnan Province.

This assessment was identical to the information provided by Sejna, based on Czechoslovak and Soviet intelligence studies. He also reported that in 1960 China signed a 'Treaty of Friendship and Cooperation' with Burma, which provided China with the opportunity to operate openly in Burma. According to KGB estimates, fifty



**Figure 2: The Golden Triangle. Bold Triangle:** Original CIA Analysis. **Dashed Triangle:** Modified 'politically correct' White House version, virtually bypassing Communist China.

percent of the Chinese representatives in Burma were involved (officially) in the drug business in the early 1960s.

In 1970, the CIA map of the Golden Triangle was passed to the Bureau of Narcotics and Dangerous Drugs [BNDD], a forerunner of the Drug Enforcement Administration [DEA: see page 67]. **Months later, a new version of the map emerged from the White House.** The tip of the triangle had been moved from 25 degrees north latitude in China down to 20 degrees north latitude, in Laos. The new designation is shown by the dashed-line triangle in *Figure 2*. With a few strokes of a pen, Communist China had been effectively excluded from the Golden Triangle.

At that time, the top national-level US organisation concerned with illegal narcotics trafficking was the Ad Hoc Committee on Narcotics, chaired by Henry Kissinger. As Edward Jay Epstein observed, Kissinger evidenced little interest in the heroin problem and rarely attended committee meetings. General Alexander Haig usually chaired the meetings in Kissinger's absence. Kissinger, [Under Secretary of State Elliot] Richardson and Haig spent most of their energies dampening the enthusiasm of White House zealots to launch a new heroin crusade which might again threaten diplomatic relations with important allies<sup>6</sup>. Certainly, the initiative towards China was one of the high-priority diplomatic initiatives at that time. Epstein also noted that after the Department of Defence began using reconnaissance planes to help identify poppy fields in Burma and Laos, Kissinger stopped the overflights of Burma specifically to avoid threatening *détente* with China<sup>7</sup>.

In September 1971, the Cabinet Committee on International Narcotics Control was formed, headed by Secretary of State William P. Rogers. The committee seldom met and was quietly phased out in 1972. While in existence, it was run by Nelson Gross, a Republican from Saddle River, New Jersey, who had been defeated in his quest for a Senate seat in 1970 and who President Nixon had then appointed as senior adviser and coordinator for international narcotics matters at the State Department. In August 1972, shortly before the committee's demise, Secretary Rogers released a study which had been prepared under its auspices, *World Opium Survey – 1972*.

The primary producers of illicit opium identified in this report were India, Afghanistan, Turkey, Pakistan, Burma, Thailand, Laos, Mexico, Eastern Europe, North Africa and Latin America. The geographies of the Southeast Asian network as presented in the study are reproduced in *Figure 3* on page 92. As can be seen, both China and North Vietnam are effectively excluded in this representation of the opium network<sup>8</sup>.

Moreover, the text, which specifically addresses the People's Republic of China, was quite revealing. The text explained that in February 1950, China introduced stringent controls over the production of opium poppy and the use of opiates, that the measures were strictly enforced, and that the problem of opium use had been effectively eliminated. Some small-scale illicit production might remain, the text allowed, and, along with it, 'perhaps, minor amounts of cross-border trade in the commodity'<sup>9</sup>.

However, 'there is no reliable evidence that China has either engaged in or sanctioned the illicit export of opium and its derivatives nor are there any indications of government participation in the opium trade of Southeast Asia and adjacent markets'<sup>10</sup>.

Similar statements were also made during the timeframe 1971-73 by the Strategic Intelligence Office of the Bureau of Narcotics and Dangerous Drugs (BNDD); for example: 'Not one investigation into heroin traffic in the area during the past two years indicates Chinese Communist involvement. In each case, the traffickers were people engaged in criminal activity for the usual profit motive'<sup>11</sup>.

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While statements such as these can be explained as the results of naiveté or incompetence<sup>12</sup>, it seems quite clear that there was also present a continuing intent to cover up Chinese Communist drug-trafficking. One of the favourite words used to avoid the existence of intelligence information is 'evidence'. What really constitutes 'evidence'?

Does a report in draft form constitute an 'investigation'? A former CIA analyst who was detailed to the Strategic Intelligence Office of BNDD (which became the DEA in July 1973) was writing a report on Communist China's intelligence service, and specifically its involvement in narcotics trafficking, at the time the above denial was written.

The report picked up the Chinese narcotics trail back in the days of Anslinger and brought the story forward to the date of the report. It identified names, dates, places, organisations and so forth. The extensive and deliberate involvement of Communist China was obvious. The report was suppressed by DEA officials in 1973 while still in draft stage.

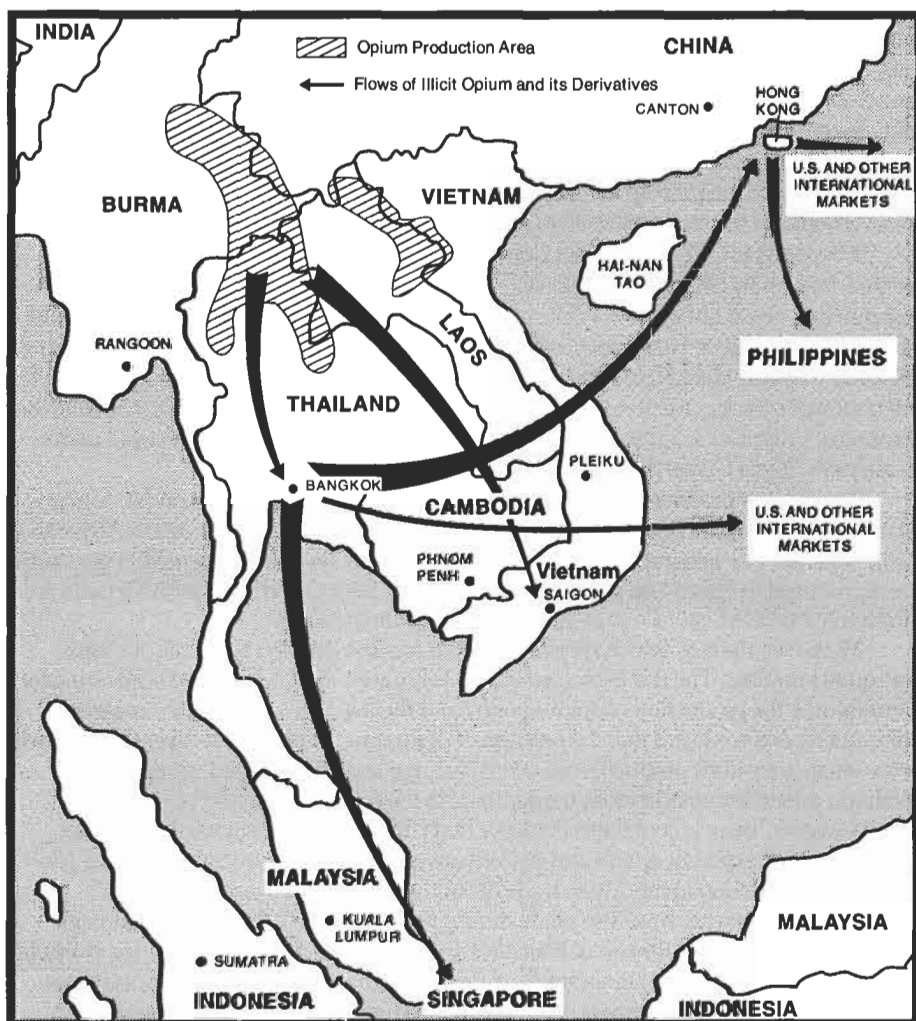


Figure 3: The South Asian illicit opium network<sup>9</sup>.

The cover-up of Communist China's drug and narcotics trafficking appears to have started in the early 1960s. It took on greatly increased scope during the Nixon Administration, and it appears to be continuing today.

Never in reports from the State Department, Customs, or the DEA is China included in the Golden Triangle. About the only mention of Communist China in Congressional hearings on drug-trafficking over the decade to 1990 occurred in the testimony of Dr Ray Cline, the CIA's former Deputy Director for Intelligence. Discussing the combination of revolutionaries (mostly Marxist-Leninists), drug-traffickers, and gun runners, Cline explained:

'I became familiar with it [the combination] in Southeast Asia because, back in the 1950s and 1960s, we observed that most drugs, most opium, was coming from that triangle which is the southern part of Communist China, Burma, where the Communist Party of Burma controls most of the drug-growing area, and some parts of Laos and Thailand'<sup>13</sup>.

Dr Cline's assertions parallel testimony in 1972 given by General Lewis Walt, who also recognised the important rôle of China in global drug operations:

'I have used the expression the 'Golden Triangle' because it has been used for many years, but I cannot help wondering, Mr. Chairman, whether it would not be more accurate to speak of the 'Golden Quadrangle', in view of the fact that the contiguous province of Yunnan in China is the site of a very substantial opium agriculture.... Yunnan might conceivably be responsible for a production in excess of the combined production of Burma, Thailand and Laos'<sup>14</sup>.

While China has been, and probably remains, the most important producer and organiser in the Golden Triangle, China is rarely listed as a producing country in any of the reports issued by the State Department, the Drug Enforcement Administration, or US Customs<sup>15</sup>. Moreover, China is not the only country that is generally omitted from reports on drug- and narcotics-producing countries: most Communist countries are conveniently excluded, as well<sup>16</sup>.

Another curiosity with respect to China involves the US Presidential commission directed to examine the trafficking into Vietnam which had emerged in the summer of 1970, and had caused narcotics addiction to grow like the plague among the US military. As indicated earlier, the primary source identified by the commission was China. But the commission's report was classified and suppressed<sup>17</sup>. As one member of the commission, General Lewis Walt, later confided to a close friend, keeping silent about the rôle of China was the most damnable order he had ever received.

Nor does this appear to have been the only such directive. On May 26, 1972, Jack Anderson reported on a White House document that had been making the rounds of the State, Defence and Treasury Departments and the US Information Agency. The confidential document referred to stories about Communist China's rôle in the world drug trade as 'arrant nonsense' and ordered US Government officials to cease making derogatory statements about the People's Republic of China. There was, the document stated, no evidence that Peking was bringing opium and heroin into Vietnam<sup>18</sup>.

During the 1970s, the drug and narcotics problem continued to grow, notwithstanding the priority President Nixon had placed on addressing it. In retrospect, while the President may have been sincere in his statements about the need to wage war on illegal drug

and narcotics trafficking, Epstein, in his analysis of US anti-narcotics trafficking activities during the Nixon Administration, was highly suspicious of the motivations of the bureaucracy and senior-level officials<sup>19</sup>. Following extensive research, he concluded that the drug issue was typically used to build empires, garner political headlines in the news media, and provide the rationale for the development of a national, White House-directed police force to be used for political tasks. No real interest in either understanding or combating the drug and narcotics problem during the Nixon Administration's war on drugs was discovered by Epstein. Moreover, he added, high-level officials involved with the war on drugs had a prior history of using the drug problem for personal political gain<sup>20</sup>.

Meanwhile, the difficulties that the US Government encounters dealing with countries whose governments are involved with drug-trafficking seem to be almost independent of who is in office. Consider, for example, the strange case of Bulgaria. The Bulgarian intelligence (KDS) defector, Colonel Stefan Sverdlev, had been directly involved in drug-trafficking and, when he defected in 1970, brought with him official Bulgarian State Security documentation dealing with Sofia's narcotics trafficking activities.

Other US intelligence sources also identified the rôle of Bulgaria in drug-trafficking and explained how the company KINTEX was formed as a front for Bulgarian State Security to assist in narcotics trafficking and the flow of illicit arms and ammunition throughout Europe and the Middle East. Numerous sources also identified the Bulgarian plan to import large amounts of opium for conversion into heroin for trafficking. There was also a CIA study identifying Bulgaria as a new centre for directing narcotics and arms trafficking between Europe and the Near East<sup>21</sup>. Nonetheless, in June 1971 US Customs and the Bureau of Narcotics and Dangerous Drugs officials went to Sofia and proposed that the United States should train Bulgarian customs officials (who belong to State Security) on how to combat the drug-trafficking that was taking place across Bulgarian borders.

Even the Bulgarians must have been surprised<sup>22</sup>, which may have accounted for their hosting a conference of customs directors from the Soviet Bloc nations in October 1971. A US-Bulgarian agreement was reached in November 1971, and in 1973 US Customs began holding training seminars in Varna, Bulgaria. They taught the Bulgarians US customs techniques and identified to Bulgarian officials<sup>23</sup> those individuals living in Bulgaria whom US officials believed were involved in drug-trafficking.

Not until 1981 did US officials decide they were not obtaining full cooperation from the Government of Bulgaria in combating the drug-trafficking problem, temporarily stopping the training seminars and the associated one-way exchange of intelligence information. From 1970 until 1984, the date of a DEA report to Congress on Bulgaria's lack of cooperation, DEA identified numerous source reports on the *official* involvement of Bulgaria. The reports identified KINTEX and other companies (TEXIM and CORECOM) as State Security front operations which managed drug production and trafficking. Officials of the Communist Party of Bulgaria were involved in organising coordination meetings in Sofia for traffickers. Bulgarian customs (State Security) was also involved in the operation. Nor does this recital take account of additional CIA data on the Bulgarian drug program.

Yet, notwithstanding this continuous and consistent flow of information over fourteen years, the best the DEA could conclude in 1984 was that the Government of Bulgaria *'appears to have established a policy of encouraging and facilitating the trafficking of narcotics under the corporate veil of KINTEX'*<sup>24</sup> [emphasis added]. Moreover, notwithstanding direct source statements and Bulgarian State Security documentation to the effect that **political destabilisation is the objective of narcotics trafficking**, all the DEA could do was to admit

that 'the use of drugs as a political weapon may be inferred' and then to state with assurance that more immediate motives were to obtain hard currency and to support dissident groups in the Middle East<sup>25</sup>. To this day, the US Government continues to try to convince the Bulgarians to cooperate with the United States in curtailing drug-trafficking. In 1986, asserted that there were increasing prospects for Bulgarian cooperation<sup>26</sup>.

In an apparent attempt to 'have it their way', the State Department's *International Narcotics Control Strategy Report* to Congress (March 1989) denied that traffickers operated openly any longer in Bulgaria and stated that there was 'no indication that either licit or illicit production of opiates is occurring in Bulgaria, nor is there evidence that illicit drugs are refined' and that money-laundering was not a factor<sup>27</sup>.

But during the final week in March 1989, the true story became evident – when DEA agent reports, embassy wires, and DEA-CIA correspondence<sup>28</sup> showing that the State Department report was a combination of misrepresentations and lies, were leaked to selected news reporters, who then wrote detailed articles for the *New York Tribune*, *Newsday* and the *Washington Times*<sup>29</sup>. The reports provided official details on a joint DEA-Swiss action against Turkish money-launderers operating out of Sofia, Bulgaria. They clearly identified the continued production of opiate products in Bulgaria and that official Bulgarian money-laundering assistance was being provided by GLOBUS, described as a successor to KINTEX.

Four days after the reports hit the press, the State Department confirmed that officials of a Bulgarian trading company had been linked to an international narcotics money-laundering operation, but added that 'there is no evidence of complicity of high-ranking Bulgarian Government officials'<sup>30</sup> – which was another misrepresentation. Furthermore, the State Department misrepresented the situation by stating that Bulgaria had clamped down on KINTEX and that Bulgarian involvement in narcotics and money-laundering was a phenomenon that had only surfaced in the 'early 1980s'. This was, of course, not true.

The Bulgarian story was also reported in *Forbes*, which identified the Swiss banks, **Crédit Suisse** and the **Union Bank of Switzerland**, as the primary Swiss facilitators in this money-laundering operation. In Bulgaria, not only was GLOBUS involved, but so were Bulgarian customs, Balkan Air – the Bulgarian national carrier – and Bulgarian officials concerned with handling security and money exchange.

As one of the money dealers in Zürich who has been shipping gold to Sofia for over fifteen years explains: 'Not one suitcase of gold or dollars can move through Bulgaria without the direct involvement of the Bulgarian Government'<sup>31</sup>. Like the Cubans, the Bulgarians secure a cut of everything that moves through their country. It is curious indeed that everyone except the US State Department seems to know about all this.

At one time, it looked as though the head of US Customs, William von Raab, might put an end to this nonsense. In 1986, he refused to attend international narcotics-control meetings with Bulgaria and was reportedly 'furious' when told that the State Department had invited Bulgaria to a meeting in Madrid. 'I have heard of the bias of some in the Department in being soft on Communists, but this is too much', he wrote to Ann Wroblewski, then Acting Assistant Secretary of the Department's Bureau of International Narcotics Matters.

'Has the State Department developed an institutional form of Alzheimer's disease or just plain taken leave of its senses?' he asked<sup>32</sup>. Unfortunately, von Raab appears to have been no more successful in controlling the actions of his own department, which helped to train the Hungarians and Chinese during his tenure.



Nor was this by any means the end of the story. In March 1988, the State Department indicated that cooperative measures with the Soviet Union were brewing<sup>33</sup>. Two months later, immediately prior to the May summit in Moscow, the evening news reported that the United States was planning to share narcotics trafficking intelligence with the Soviet Union and to arrange for US Customs to train Soviet and East European customs (intelligence) agents on US techniques for stopping illegal drug and narcotics trafficking.

Then in July, the DEA Administrator, John C. Lawn, announced that the Soviet Union had proposed to him and to the Assistant Secretary of State for International Narcotics Matters, Ann B. Wroblewski [see *preceding page*] that the Soviets and the DEA should swap intelligence on international narcotics smuggling and suspected drug-traffickers, as well as exchange samples of seized narcotics, which have been used to identify sources (or alternatively could be used to thwart<sup>34</sup> such identification)<sup>35</sup>.

In 1989 edition of the *National Drug Control Strategy*, President Bush made it official: 'We must be prepared to share our knowledge and our concern with the Soviet Union and Eastern European nations and be willing to engage them in cooperative counter-drug activities'<sup>36</sup>. **In this strategy document, there was no recognition of the rôle of the Soviet Union and Eastern Europe countries in drug-trafficking and in creating the very sickness the strategy was designed to cure.**

Towards the end of 1989, the DEA made a formal proposal to the Soviets for the DEA to conduct 'advanced narcotics investigations' for about 30 anti-narcotics professionals from Soviet customs, the Ministry of Interior and the KGB. As one DEA official, Paul Higdon, explained: 'We're looking at them as policemen – these guys are cops with a mission similar to ours'. Not to be outdone, US Customs is proposing a formal information-sharing agreement, similar to the ones we have with most of our Western allies'<sup>37</sup>.

Another example of US official denial or collective amnesia over the drugs scourge concerns that of Panama. When General Manuel Antonio Noriega was indicted by the US Attorney in Miami in 1988, it rapidly became known that Panamanian officials had a rich tradition of trafficking in drugs and providing arms to revolutionaries. The problems in Panama surfaced in the early 1960s with riots directed against the US presence, most notably attacks on the Canal Zone which had taken place on January 9-14, 1964. In 1968, the Panamanian National Guard deposed the newly-elected President Arnulfo Arias Madrid. Several months later, General Omar Torrijos Herrera took command. Torrijos was credited with having opened Panama to foreign economic penetration by means of a new banking law with favourable bank secrecy provisions, which were reported to have been welcomed by American and other foreign banks<sup>38</sup>, and which may have been the *quid pro quo* for the Panama Canal Treaties.

At least some US officials were aware of Panamanian military involvement in drugs and arms deals in the early 1970s. The data extends back at least to 1972 or 1970<sup>39</sup>, or possibly earlier insofar as Major Noriega had reportedly been providing the CIA with 'intelligence' at least since late 1967<sup>40</sup>. The arms aspect was confirmed by José de Jesus Martinez, a former professor who became Torrijos's bodyguard: he reported that Torrijos decided at least by 1975 to 'convert our country into a rear base for regional revolution'. Thus, with effect from 1968, Panama has been an active participant in drug-trafficking, providing arms to revolutionaries throughout Latin America, providing a safe haven for drug money-laundering, and serving as a willing host for numerous foreign intelligence operations; for example, technology theft and espionage. It would seem to be no accident that Torrijos was listed as one of the Soviet 'gold reserve' agents (Chapter 7).

Nonetheless, the United States seems to have ignored what was happening, for various 'strategic reasons', until 1988. Not only was Noriega's drug-trafficking ignored, but at the same time the DEA administrators (Peter Bensinger, Francis M. Mullen Jr. and Jack Lawn) and other US Government officials (for example, Attorney General William French Smith) sent letters of commendation to Noriega – praising him for his work to curtail the flow of drugs<sup>41</sup>. All agencies of the US Government were guilty of ignoring what was happening, although the Department of State and the White House were the most active<sup>42</sup>.

An attempt to indict Omar's brother, Moises (a.k.a. Monchi) Torrijos in 1972 for heroin trafficking was blocked and the indictment remained sealed until after the Panama Canal Treaties had been signed in 1978. State Department officials, including the US Ambassador, William J. Jordan, attempted to pass off reports of the indictment as false rumours, spread in order to dirty Torrijos' name. Torrijos' point of view was recorded by Ambassador Jack Hood Vaughn: 'What bothers me the most', Torrijos told Vaughn, 'is that Monchi is only shipping five kilos a week. Why make a big deal of that'<sup>43</sup>?

One widely advertised factor behind this strange behaviour was indeed the negotiations over the Panama Canal. But this does not seem to explain why complaints to Panamanian military leaders about drugs and arms dealing continued to be conducted only as a charade or why an attempt to indict Noriega in 1980, three years before Noriega was to become military commander, was again stalled by the State Department because of 'administration fears about upsetting Panama'<sup>44</sup>. What really motivated the United States finally to go after Noriega in 1989?

The behind-the-scenes rôle of US banks and other financial institutions, as well as those of the United States' allies and enemies alike, is another aspect of international narcotics trafficking that has led a sheltered life. These centres of power are believed to be among the two primary forces behind *détente*, the other being Soviet strategy<sup>45</sup>.

Estimates of the money that US citizens paid for illegal drugs in the early 1980s ranged from \$80 to \$110 billion per year, with another \$60 billion expended on associated health costs. Since those calculations were made, the estimates have doubled; the total annual cost [by 1989] within the United States may have rivalled the \$300 billion annual budget of the Department of Defence<sup>46</sup>. The global cost of drug-trafficking may exceed \$500 billion per year. Some estimates run as high as \$1 trillion per year. [The reader is, however, directed to Chapter 12, completed in December 1998, in which these estimates are revised sharply upwards – *Ed.*].

There have been some modest attempts to track this money, most notably imposition of the requirement for US banks to report on cash withdrawals and deposits in excess of \$10,000. In the second half of the 1980s alone, numerous banks and financial institutions in the United States were charged with illegal financial operations – for example, drug-money-laundering – and still more remain under investigation. One bank was charged with 17,000 violations of the federal cash transactions law<sup>47</sup>. Yet few real indictments or serious fines have been assessed; nor has much publicity been focused on drug-money-laundering or on investments of laundered money. Yet what is happening has to be obvious. No \$500 billion per year business can exist without the active and knowledgeable assistance of many banks and financial institutions<sup>48</sup> [see also Chapter 12].

Ramon Milian Rodriguez [see page 28], a Certified Public Accountant [CPA] who handled money-laundering and investments for the Medellín Cartel, was arrested in May 1983, while attempting to leave the United States with \$5.3 million in cash. In February 1988 he

described his activities to Senators John Kerry (D-MA) and Alfonse D'Amato (R-NY). He explained how, with the assistance of Panama's National Defence Forces, he routed enormous amounts of cash through all the banks in Panama and how he was courted by the US banks to handle the Cartel's investments. **'In every instance', he testified, 'the banks knew who they were dealing with.... They were dealing with Milian Rodriguez, who represented money from South America, and their corresponding banks in Panama knew where the money came from because we required certain things from them.... We were breaking the laws in a very big manner and you always have to have plausible deniability'.**

**'And the New York banks are no fools'<sup>49</sup>. The banks implicated by Rodriguez read like a 'who's who' in US finance: Citibank, Citicorp, Bank of America and First National Bank of Boston<sup>50</sup>. Banks identified in 1983 in an ABC News 'Close up' on drugs and money-laundering, included Citibank, Marine Midland, Chase Manhattan, Irving Trust, the foreign currency exchange house of Deak-Perera [since defunct following a drug-related murder and scandal] and 'most of the 250 banks and branches in Miami'<sup>51</sup>.**

Focusing on Florida, James Ring Adams has written that corruption in the banking industry is now endemic. 'The narcotics traffic flourishes not only because of demand, but because of tacit acceptance by elements of the political structure... money-laundering has become an entrenched feature of the state's economy'<sup>52</sup>. Adams describes how banks have been organised specifically for money-laundering. Evidently the Florida banking authorities could not care less.

When one illicit bank goes out of business, another immediately appears, Adams laments: 'Drug dealers flourish and get busted, or murdered, but the morality play never seems to extend to the financial and political infrastructure'<sup>53</sup>. Adams' conclusions were echoed by the US Attorney for South Florida, Dexter Lehtinen: 'I know names of banks that are crooked, public officials who are corrupt, zoning regulations changed for drug dealers, [but] we can't pursue these investigations [due to a lack of manpower]'. Sophisticated drug organisations, which thrive on corrupting officials and using tainted banks to hide their cash, are flourishing, he added<sup>54</sup>.

Senator D'Amato's comments on difficulties encountered in obtaining a strict money-laundering bill during the Rodriguez hearings presented the problem from a legislative perspective: **'And let me tell you that we face tremendous, tremendous opposition, and we only explored very superficially some of the violations'**. His frustration is understandable<sup>55</sup>. In 1984 and 1985, the *Boston Globe* published a series of studies on the money-laundering problem, which they turned into a separate report entitled *Money-laundering*.

The *Boston Globe* looked at the banks, money-laundering centres, several money-laundering techniques, the acceptance of cash with no questions asked by car dealers, real estate firms, lawyers, and the failure of the US Government to crack down. The newspaper also identified some of the opposition to improved laws and their enforcement: specifically, the bank lobby and the American Civil Liberties Union [ACLU]<sup>56</sup>. Brokerage firms are also involved. Two firms, officials of which were identified in Senate hearings as having assisted in money-laundering operations, were **Merrill Lynch and E. F. Hutton<sup>57</sup>**.

Rodriguez's testimony also raised questions of a related but somewhat different nature. As he explained, Rodriguez handled money-laundering and investments for the Medellín Cartel in the United States. His financial records were maintained on his personal computer. Apparently the agents who arrested Rodriguez moved his computer as though it were just another piece of furniture, and damaged the hard disk. The informa-

tion was lost, even though 'they tried their darndest to put it together'<sup>58</sup>. It is indeed unfortunate that the arresting agents were so careless – *if in fact that is what they were*. The financial records would have been invaluable in showing how drug cartel money flowed and in leading US authorities to perhaps many billions of dollars of drug-money investments that could have been seized.

They might have provided data on institutions and individuals who were assisting in money-laundering and drug-money investments. They might also have provided the first detailed accounting of the monetary size of the Medellín Cartel's operation. Based on Rodríguez's testimony, that cartel's share of the cocaine market seemed much less than was being suggested by official US Government reports. If this is true, one possible conclusion is that there were several other Colombian cartels that were considerably larger than the Medellín Cartel, and that were operating in the shadows while the Medellín Cartel received the publicity and the blame<sup>59</sup>.

It is hard to believe that the US arresting agents were so careless. It is even harder to believe that the information could not have been reconstructed. According to information routinely provided to individuals in the national security area by intelligence specialists with agencies such as the National Security Agency, even the information on a disk that has been erased can be reconstructed, which is why computers with hard disks that are used to process classified information always have to be locked up when not in use.

The story on Rodríguez's computer records logically originated with US officials. Unbelievable as it sounds, it could be true; *but, is it?* And, if not, *what is the reason for the cover story?* The people who would seem to benefit most if the records really were destroyed are the drug-traffickers and money-launderers, as well as the real estate and financial companies that invest the laundered money.

There have been three highly-publicised operations against money-laundering in recent years [to 1990]. Operation Pisces, which was directed against money-laundering in Panama, a 1988 operation against the Luxembourg-based **Bank of Credit and Commerce International** (BCCI), and operation Polar Cap. José Blandón [see page 34, Note 11, and page 78] testified that he did not regard the Pisces operation as a major victory because it captured a mere \$18 million<sup>60</sup>.

If there was a victory, it was in respect of penetrating secrecy legislation, not in respect of the volume of money seized, as Blandón pointed out. Similarly, in the BCCI case, only \$14-\$32 million was involved (that was the range mentioned)<sup>61</sup>. If there was any victory, it was only that the case might have represented a start. To place these seizures in perspective, recognise that the amounts are only 'pocket change' to the drug dealers<sup>62</sup>. Recall that the total amounts laundered each year are probably measured in hundreds of billions of dollars. The potential cache available for attachment as drug money is probably in the *trillions* of dollars. The Polar Cap operation resulted in the seizure of bank accounts in Atlanta, Miami, New York and San Francisco, and a lawsuit to recover \$433.5 million in drug profits. While much higher than prior operations, this was still small potatoes when compared with the total volume and monetary value of the trafficking.

One of the primary problems in combating money-laundering, as explained by Michele Sindona [see footnote, page 100], a professional who knows the inside of the money-laundering business, is that the authorities writing the laws simply do not understand either international banking or money-laundering<sup>63</sup>. Nor, one might add, based on Rodríguez's testimony, does there appear to be any concerted effort to learn. As Senator

D'Amato has explained, there was no attempt by US authorities to utilise Rodriguez's knowledge. 'If it weren't so serious', he remarked, 'it would be laughable'<sup>64</sup>. Sindona added an especially important perspective. Laundering money, he has explained, allows criminals to use dirty money openly, and then the law has no way of interfering:

**'The real evil of money-laundering is its power to allow dirty money – the instrument of crime – to enter the mainstream of economies undisturbed, to consume important sectors of those economies and to transform them into feudi of an international criminal oligarchy beyond the reach of the law – an oligarchy that is to be brought down by men who do not understand money'**<sup>65</sup>.

The extent to which the US Justice Department is prepared to go after the banks for their rôle in assisting drug-trafficking remains to be seen. In previous years, its efforts appear to have been minuscule. Alternatively, it may have been thought, for a time, that the measures launched against the Bank of Credit and Commerce International may have represented a belated change of approach.

Court documents examined in Tampa, Florida, revealed that 41 banks had their records subpoenaed in a widening money-laundering investigation covering **Manufacturers Hanover Trust Company, Republic National Bank of New York, Security Pacific Corporation, Wells Fargo & Company and Bank America Corporation**, German and Israeli banks, and obscure, closely-held banks such as the **Total Bank** in Miami. At least

† *Editor's Note:* The most revealing account of **Michele Sindona's** own exotic money-laundering 'adventures' is to be found in the early pages of *The Final Conclave*, by Dr Malachi Martin (Stein and Day, New York, 1978). Emerging from Sicily in 1947, with glowing recommendations from the Bishop of Messina, after having operated a lucrative trading business from a truck serving the US forces on the island during the war, he had by 1959 somehow acquired Banca Privata Finanziaria [BPF] and a steel foundry (which he sold to the American Crucible Company); established a Liechtenstein holding company, Fasco AG, through which he had obtained a controlling share in Finabank Geneva; founded a foreign exchange brokerage, Moneyrex; established close relations with the Vatican's Institute for Religious Works [IRW]; become legal adviser to SNIA-Viscoa (textiles), President of Mediterranean Holidays and Philips Carbon Black Italiana, Managing Director of Cheesborough Ponds, and a member of the board of Remington Rand Italiana. After Sindona had raised \$2.4 million from Milanese business circles for Archbishop Montini to finance an Old People's Home, Pope Paul VI formally authorised Sindona to become the Vatican's chief money manager. Sindona began by selling the Vatican's controlling interest, worth \$350 million, in Società Generale Immobiliare, then moved \$40 million to a Luxembourg bank, Paribas Transcontinental, while IRW took a large block of shares in Sindona's Finabank. After divesting the Vatican of its holdings in Italian companies like Condotte d'Acqua (1969), Pantanella (1970) and Serono, a maker of contraceptive pills (1970), Vatican funds were dispersed all over the place and Sindona himself became President of 7 Italian companies, Vice-President of three banks and majority shareholder in the Vatican-linked Banca Union [BU]. Having forged links with Hambros (25%) and the ill-fated Continental Bank of Illinois (15%), Sindona found himself in close touch with the US Treasury, as that bank's Chairman, David Kennedy, became US Treasury Secretary under President Nixon. Mr Kennedy later became a board member of Fasco AG. After transferring to the United States, Sindona bought a controlling interest in Franklin National Bank. *Il crack Sindona* (the Sindona catastrophe) began to develop when the US Securities and Exchange Commission [SEC] halted all trading in Vetco Offshore Trading Industries, after a Los Angeles investor was found to have acquired 25% of Vetco's outstanding shares in violation of SEC regulations. It transpired that 20% of Vetco's shares and options had been acquired on behalf of IRW through the Liechtenstein-based Fiduciary Investment Services (FIS) which had an office in Sindona's Rome office complex. After the Vatican had been obliged to pay a fine of \$320,000 by the SEC for having acquired 454,000 Vetco shares as part of 714,000 Vetco shares sold by FIS, the largest block of shares ever traded to date on the American Stock Exchange, Sindona's BPF sustained foreign exchange losses of \$48 million (1973) and of a further \$150 million in 1974. It was then discovered that Franklin National Bank had a minimum of \$43 million in losses hidden as 'phony profits' in foreign exchange deals with Sindona-controlled Swiss banks. Thereafter, other Sindona-controlled or -linked banks started collapsing, all triggering further Vatican losses. By October 1974, the Italian authorities felt 'ready' to move against Sindona – charging him with falsification of accounts back in 1960! On January 9, 1975, the Swiss authorities closed Sindona's Finabank, after it had sustained foreign exchange losses of \$82 million. Malachi Martin adds that 'Sindona made a last fruitless attempt to raise capital (about \$300 million) by offering for sale new capital shares in a small holding company, Finambro. But Guido Carli, Governor of the Bank of Italy, scotched that idea.... Swiss banking sources speak of [Vatican losses] in the region of \$240 million.... Reports persist that these losses may have gone well over the billion-dollar mark'.

## CHAPTER 9: Hear No Evil, See No Evil, Speak No Evil 101

half of the 41 banks were Florida banks or Florida-based branches of foreign banks<sup>66</sup>.

In his talk to a drug enforcement conference on April 27, 1989, President Bush referred to the insidious rôles played by Hong Kong bankers and Middle Eastern couriers<sup>67</sup>. To appreciate the unintentional irony of this statement, consider that at least one large US bank, **Marine Midland**, is now owned or controlled by a Hong Kong bank. Similarly, there are US banks that are owned or controlled by Middle Easterners with close ties to Middle East money-launderers, such as the **Republic National Bank of New York**<sup>68</sup>.

One puzzling, perhaps damning, dimension of money-laundering was revealed during an 'American Interests' television special, *Follow the Money*, aired on PBS on July 12, 1989, in Washington. The subject of the programme was Western loans to the Soviet Bloc.

One part of the programme examined how such Western loans were channelled to support terrorist activity<sup>69</sup>. Norman Bailey, a former National Security Council [NSC] official, reported that when he joined the NSC, he first searched the files concerned with financial developments around the world and East-West economic activity, finding next to nothing. There was some information coming in but it was entirely human intelligence. 'It was not based on intercepts', Bailey explained. Then he described how almost all monetary transfers in the Western world of any importance go through three major clearing houses and how it is relatively simple to track certain transfers if you have command of powerful computing mechanisms. Accordingly, through the National Security Agency [NSA], he began a program of following money movements around the world as a means of identifying certain activities the NSC was trying to follow<sup>70</sup>.

The activity of interest was a \$600 million loan which was lead-managed by **First National Bank of Chicago** to the East German **Aussenhandels Bank**. Bailey explained that:

'[A] loan was cleared in London. The money went to East Berlin, to the Aussenhandels Bank. It was disbursed from there to various front companies and various tax havens around the world. It was then concentrated again in Libya and was sent from Libya to various accounts, which were controlled by terrorist organisations, and was then used by those terrorist organisations in their activities.... Approximately \$60 million of the original tranche that was drawn down by the Aussenhandels Bank ended up in the coffers of various terrorist and guerrilla groups around the world'.

'Of these, approximately equal amounts were provided to the Red Brigades in Germany, to the provisional IRA in Northern Ireland, and to the M-19 forces in Colombia, about \$20 million each, in other words'<sup>71</sup>.

According to other reports, the narrator added, \$25 million of the loan was wired directly to an account in Panama held by the Government of Nicaragua.

This information raises several questions. First, why was there no information available in the files when Bailey first joined the NSC? The idea of using the NSA to track the transfer of illicit funds and the CIA to identify account ownership should be obvious, if not automatic. Equally obvious is the need to map the flow of drug money as an integral task in combating drug-trafficking, just as would be done with any other criminal activity.

Following these money transfers would appear to be the single most important step in any attempt to learn who is behind the drug trade, who is facilitating the drug trade, and in attaching the illicit profits. But, evidently, this had not been done.

It is not as though the intelligence community had never been approached about the problem. In October 1969 President Nixon declared war on drugs and formed a White House Task Force on Heroin Suppression<sup>72</sup>. The Director of Central Intelligence, Richard

Helms, was a member of this task force, of the Ad Hoc Cabinet Committee on Narcotics (1970) and of the Cabinet Committee on International Narcotics Control (1971)<sup>73</sup>. Helms established an Office of Narcotics Coordinator within the Deputy Directorate of Plans, which began assembling narcotics intelligence on trafficking in Southeast and Southwest Asia, Europe and Latin America. When one of the analysts suggested that they examine the banks and the money trail, he was given a pat on the head and told: **No**.

In 1970, the Head of BNDD, John E. Ingersoll [see page 67, and Note 39, page 109], sent a request to the National Security Agency for assistance.

The BNDD's requirements were listed as follows:

1. The BNDD has a requirement for any and all COMINT [communications intelligence, i.e. electronic eavesdropping] information which reflects illicit traffic in narcotics and dangerous drugs. Our primary interest falls in the following categories:

- Organisations engaged in such activities;
- Individuals engaged in such activities;
- Information on the distribution of narcotics and dangerous drugs;
- Information on cultivation and production centres;
- International agreements and efforts to control the traffic in narcotics and dangerous drugs;
- All violations of the laws of the US concerning narcotics and dangerous drugs<sup>74</sup>.

**Curiously, information on money-laundering was not included in this list of requirements.**

The NSA collection operation against drug-traffickers was run from April 1970 to July 1973, when it was shut down amid concern over the risk of exposure. The CIA also participated, but pulled out over concern that some of the data collection occurred on US soil and was in support of law enforcement rather than of national security. This may be why so many CIA analysts were transferred to the strategic intelligence office in BNDD – to accord with US law<sup>75</sup>. Frank Raven was in charge of the collection of intelligence data at the National Security Agency [NSA]. His assessment of the problem is instructive:

'Before we retired, we did some very nice drug busts.... We demonstrated that we could follow drug transactions and drug dealers. We could do it quite economically – it wasn't even a high-budget item.... NSA could really have cleaned up the drug business, drug-running and such.... But it got so screwed up in American law and American red tape that it wasn't worth the effort'<sup>76</sup>.

Tracking drug money is still an essential task today; *is it now being done?* If not, why not? Certainly, the 'legal' problems identified above do not apply to overseas banks, or foreign banks, or even to US banks where national security is an issue; and the President's National Security Decision Directive [NSDD], 'Narcotics and National Security', signed in April 1986, explicitly identified drugs as a national security issue. Moreover, in 1984 the NSA was used to track drug shipments<sup>77</sup>.

Why not drug *money*? Alternatively, if the NSA and CIA were collecting such information, **why are not measures in hand to seize all such assets and identify all the people and banks involved?** Why does the US Government focus so much publicity on small multi-million dollar seizures, when the potential is present to capture *trillions of dollars*, as is clearly implicit in Norman Bailey's testimony?

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There would seem to be only *one* possible answer – namely, that the war on drugs is really not a serious war within the US Government at all.

The involvement of banks, financial institutions and real estate investment firms in drug-money-laundering is nothing new. It has been going on for decades and has been well-known for decades. Every so often there is a flurry of activity as the US Government appears to be cracking down; but indictments are dropped or small fines assessed and the money-laundering goes on, relatively unencumbered. The Government comes to the aid of banks when billions of dollars of loans to Third World and Communist countries go sour, but then seems to avoid holding the banks responsible for their major rôle in making international drug-trafficking and other crimes profitable. As the outgoing US Customs Commissioner, William von Raab, observed in his resignation letter dated July 31, 1989: **'Maybe it is time for the war on drugs to take its place as our nation's top priority – to interfere with other interests such as banking and Third World debt'**<sup>78</sup>.

A statement by Clyde D. Taylor, of the Bureau of International Narcotics Matters, US Department of State, before joint Senate hearings in 1985, revealed the official US analysis of the illicit drug and narcotics challenge and, by implication, US policy designed to combat trafficking. With regard to state-sponsored narcotics trafficking, Taylor recognised that the authorities had seen 'some indications' and that: 'In the few instances, the further indication is that certain of the Communist countries have engaged, to some degree, in facilitating narcotics trafficking'. However, he went out of his way to stress that *'another fact which we would like to establish before your committees is that narcotics trafficking in Latin America, in Asia, in the Middle East and in Europe, is dominated by narcotics traffickers who are governed only by their greed and whose only ideology – if you can call it one – is the pursuit of profit'* [emphasis added]. That is, according to Taylor, *politics are not involved*. Moreover, Taylor continued, 'Most of these groups cannot be called terrorists, or even political insurgents, nor do we have evidence of a Communist conspiracy to use drugs to undermine Western democracies or our own society in particular'<sup>79</sup> [emphasis added].

The dictionary defines conspiracy as the act of planning together to commit a crime or wrongful act. If what has been taking place is not a conspiracy, under this definition, *what is it?*

In the same Senate hearings, the DEA, while appearing equally oblivious to the history of Communist drug-trafficking, at least recognised its political dimension. As the Drug Enforcement Administration official, David L. Westrate, explained:

**'The emerging trend of using drug-traffickers to support political aims represents a major change in the historical pattern of drug-trafficking, in which drug-traffickers were only interested in profits. The expanded use of drug-trafficking for political purposes has already had an effect on and could have far-reaching implications for drug enforcement worldwide and US foreign policy'**<sup>80</sup>. Quite true. **If the US Government were to recognise the existence of the Soviet drug strategy, not only would US drug policy, but the entire image of Soviet foreign policy which underlies contemporary US policy, would be liable to come tumbling down like a house of cards.**

Over the years, the participation of various Soviet satellite states in drug-trafficking operations has gained a certain measure of public attention. The most notable examples are Bulgaria, Cuba, and most recently, Nicaragua. But the US Government leans over backward to avoid any direct statement that these countries – or Czechoslovakia, Hungary, East Germany, Vietnam, North Korea and China – are officially involved. Indeed, most official



energies are devoted to suggesting that such activities are the consequence of the activities of a few corrupt officials. If anyone *does* acknowledge that there have been reports of official government involvement, this is quickly followed by the assertion that there is no confirmation of such reports. The most the US State Department will acknowledge is that certain countries – Bulgaria, Cuba and Nicaragua – facilitate the drug-trafficking of others or, as was indeed confirmed by David L. Westrate, who was then Deputy Assistant Administrator at the Drug Enforcement Administration:

'I would say in relation to Bulgaria, Cuba and Nicaragua we have substantial information that would indicate that the governments, at a minimum, condone this activity in our belief. As I say, we do not have a tape recording or a videotape of a meeting by government officials deciding to and agreeing to'<sup>81</sup>.

A notable example of the State Department's approach was its response to the Anti-Drug Abuse Act of 1986. The penalty applicable to any country which encourages the production or distribution of illegal drugs, or whose officials do likewise, or which threatens US drug enforcement officials, or fails to cooperate, is clearly stated in legislation:

**'The law requires the President to suspend all United States assistance, and to oppose any loans or other use of multilateral development bank funds for the benefit of any such country'**<sup>82</sup>.

If a country, especially a Communist country, or its officials, were found to be involved in drug-trafficking, that could have a serious impact on US financial and business transactions with the country concerned. Encouraging exactly such transactions has been a significant Soviet policy objective under Lenin, Stalin, Khrushchev, Brezhnev, and, of course, Gorbachëv. Encouraging such activity has also been a primary objective of US foreign policy since 1969. This is still a high priority thrust of US State and Commerce Department activities<sup>83</sup>. Nor is any change in this policy foreseeable.

Nearly all the industrialised countries are similarly involved, most notably Japan, Great Britain, West Germany, Italy, France and Switzerland, in addition to the United States. This background is important in analysing the State Department's approach to complying with the Anti-Drug Abuse Act. It is also important to recognise that in addition to penalties, there are provisions whereby those penalties can be set aside if the President certifies that the identified countries show signs of cooperating. Unfortunately, the President delegated this certification authority to the Secretary of State.

The State Department's list of countries that produce illicit drugs or facilitating their distribution, published in May 1998, consisted of the following:

**Afghanistan, The Bahamas, Belize, Bolivia, Brazil, Burma, Colombia, Ecuador, Hong Kong, India, Iran, Jamaica, Laos, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Panama, Paraguay, Peru, Syria and Thailand**<sup>84</sup>.

The only overtly Communist country included on the State Department's 1998 list was Laos. Notable by their absence were **Cuba, Nicaragua, Czechoslovakia, Hungary, Poland, Bulgaria, East Germany, Romania, the Soviet Union, North Korea, the People's Republic of China and North Vietnam**. Here we had a familiar consequence of *détente*.

Moreover, only two countries on the State Department's list were refused certification: **Syria and Iran**. All the remaining countries listed were certified by the Department of State to be not subject to any of the restrictions identified by Congress, because that would be contrary to 'vital national interests', or because it would not encourage cooperation, or because the countries were making *bona fide* efforts. The 'vital national interest'

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cited by the State Department in not wanting to censure Laos was its help in the continuing US search for POW/MIAs [Prisoners of War/ Missing in Action]!

While Cuba was not even mentioned in the report, the State Department's position had been explained in its annual report published three months earlier, in March 1988:

'It is possible that at least some of them [use of Cuban airspace and waters by narcotics smugglers] occur with direct or tacit Cuban government permission'<sup>85</sup>.

Attempts to decertify Mexico in 1988 were successfully thwarted by top-level officials in the State Department, Treasury and Congress. They were described in Elaine Shannon's book, *Desperados: Latin Drug Lords, US. Lawmen, And The War America Can't Win*, along with the corruption in Mexico's entire political and police structure, from top to bottom<sup>86</sup>. The book was written around the abduction and murder of a DEA agent, Enrique 'Kiki' Camarena, the subsequent cover-up by Mexican officials, and the attempts by US officials from the State Department, the White House, the Treasury and the Justice Department in support of the Mexican officials concerned. The controlling interests were US banks and the business lobby<sup>87</sup>.

*Deep Cover* is a detailed exposé of the Drug Enforcement Administration's incompetence, written by a former DEA undercover agent and group supervisor, Michael Levine. While focused on a particular case involving Bolivian producers and Mexican corruption in a joint DEA-Customs sting operation, Levine also discusses the Camarena case. 'In the aftermath of Kiki's murder, the Mexican Government had stonewalled all efforts – first in finding Camarena's body, second in stopping his killers from escaping, and finally in investigating the event'.

'Many of the Justice Department, DEA and State Department suits [upper management] and politicians – with an interest in projecting an image (no matter how false) of a progressive and honest Mexican Government that was cooperating in our antidrug efforts – wanted to play down and put the Camarena incident out of the front pages as quickly as possible. It had been up to Kiki's street brothers, the DEA street agents, who fought tooth and nail to keep the investigation alive' to keep the heat on the Mexican Government<sup>88</sup>.

The story of Camarena's death and the fights DEA agents had to wage against corrupt Mexican officials was dramatised in an NBC television mini-series, '*Drug Wars*', on January 7-9, 1990. Indignant Mexican Government officials complained afterwards, with statements that sounded as though they were taken right from the script<sup>89</sup>. Two weeks later, a Los Angeles grand jury indicted nineteen Mexicans in the torture-murder of Camarena – including the former head of the Mexican Federal Judicial Police, Manuel Ibarra Herrera, and the former head of the Mexican branch of Interpol, Miguel Aldana-Ibarra. Without question, the behaviour of Mexican officials was deplorable.

However, from *their* perspective, the Mexicans may have a valid complaint. What crimes did the Mexican officials commit that were any worse than the behaviour of their counterpart US officials and business/banking interests over the years – to wit, those with respect to Panama, Bulgaria, China and Cuba?

Why did US officials not only ignore Noriega's activities for fifteen years, but in fact send him personal letters of commendation? Why indict Noriega, Vaughan and assorted and sundry Colombian drug-traffickers, and not indict Raúl and Fidel Castro? And why were US business and banking interests more important to US officials than the flow of drugs into the United States, thirty percent of which came through Mexico?

In 1989, the State Department reported on measures taken by the then newly installed President of Mexico, Carlos Salinas de Gortari, to 'curb drug-trafficking'. Yet

reports proliferated about continued Mexican corruption and narcotics trafficking. At hearings concerning the State Department's position against decertifying Mexico, the US Customs chief of the day, William von Raab, was prevented from testifying by senior US Treasury officials because of von Raab's critical view of Mexico. As one of von Raab's assistants put it, 'Mr von Raab was particularly anxious to testify' about Mexico: **'He feels that diplomacy seems to have superseded the war on drugs.... There is no evidence of a cooperative effort by Mexico. In many ways the country has become a safe haven for drug dealers, and a huge storage area for drugs'**<sup>90</sup>.

In 1990, another graphic illustration of the State Department's perverse behaviour entered the public domain. Kirt Kotula was a program officer for Bolivia in the State Department's Bureau of International Narcotics Matters. In January 1990, he prepared a memorandum which was leaked to the *Washington Post*<sup>91</sup>. The memo was described as highly critical of the then new Bolivian Government under President Jaime Paz Zamora, noting that Bolivia's performance 'in almost every area indicates a total lack of commitment to the antidrug war'. Not only did the Bolivian Government's eradication of coca fields lag behind the established objectives, but new plantings had resulted in overall production increasing by 9.2 percent.

The US Government uses successful extradition cases as evidence of cooperation. But Kotula pointed out that the Minister of Interior Luíz Arce Gomez, who was subsequently extradited to the United States on drug charges, was 'universally hated' in Bolivia. Another activity highly publicised by Washington was a succession of joint raids on cocaine laboratories in the Bolivian interior. One particular raid, which cost the United States \$100,000, was mentioned in Kotula's memo. The raid 'failed to achieve even minimal success', he wrote, probably because the traffickers were tipped off in advance by Bolivians.

But, when the State Department's *Annual Report* was sent to Congress on March 1, 1990, Bolivia was characterised as cooperating fully with the US anti-drug policy<sup>92</sup>. About all that Assistant Secretary Melvyn Levitsky would say when confronted with the memo was that it was part of a 'red team' exercise to give him candid analyses, but that the memo was 'stolen government property' and should not have been made public<sup>93</sup>.

With respect to Cuba, even the CIA has been reported to side with the State Department. As Jack Anderson reported, the CIA Deputy Director, Richard Kerr, stated at a meeting of a Cabinet-level board in a February 1987 that it was hard to identify a direct Cuban Government link to drug-trafficking activities<sup>94</sup>. If this is an accurate reflection of US intelligence in action, one has to wonder what they use to reach their conclusions. One embarrassing explanation was provided by Major Aspillaga, the Cuban intelligence official who defected to the United States via Vienna in June 1987 [see pages 81 and 83]. **He explained that Cuban Government officials once believed by the CIA to be secretly working for them were actually feeding the CIA with misleading or useless information prepared by the Cuban intelligence service. Several such sources had even passed CIA polygraphs.**

It was the US Attorney's office in Miami which first unleashed court-room evidence on Cuba's involvement. That happened in November 1982. The evidence, however, apparently never made much of an impression on US intelligence or on the State Department. Fortunately, in a subsequent indictment, the US Attorney's office in Miami presented still more evidence – this time, videotapes showing drug smugglers explaining to DEA undercover informants how they shipped drugs from Colombia through Cuba, with the assistance of Cuban officials, air traffic controllers, the DGI, and Cuban Air Force

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pilots<sup>95</sup>. All such hard details, however, have little impact on the State Department, which still refuses to acknowledge any significant Cuban participation in drug-trafficking\*.

In 1987, as part of the US Senate's advise-and-consent procedures on the nomination of Ambassador Jack F. Matlock, Jr. to be Ambassador to the Soviet Union, several questions on the rôle of the Soviet Union and Czechoslovakia in narcotics trafficking were submitted to the State Department. Concerning Soviet involvement, State Department officials replied: **'The Department of State has no information regarding official Soviet involvement in international narcotics traffic'**. With regard to Czechoslovakia, the State Department replied: **'The Department of State has no information regarding official Czechoslovakian complicity in the international narcotics traffic, nor of any Soviet involvement with the Government of Czechoslovakia in narcotics traffic'**. This statement was made after two articles detailing the involvement of Czechoslovakia and the Soviet Union had been published, and after officials in the two relevant State Department bureaus, International Narcotics Matters and Intelligence and Research, had been informed of Sejna's information. **They expressed no interest in the data whatsoever.**

A particularly interesting film clip was obtained by Jean Michel Cousteau in 1981 during an expedition by his famous father, Jacques Cousteau, to the upper reaches of the Amazon. Deep in the jungle, the younger Cousteau came across an entire village which had been transformed into a centre for cocaine production and research laboratories. The local Indians were used as experimental subjects and in the process many had been transformed into 'zombies'. A segment of the background dialogue in the resultant Cousteau film is worth quoting in detail:

The secret processing centre seems as well a battle outpost, with planes and a cache of weapons believed imported from Cuba for guerrilla fighters'.

'Some believe that cocaine, once merely a source of illicit profits, now also supports small insurgent armies and is sent northward to the United States by jungle militants as a silent, inexorable, poisonous weapon'.

'The Cousteau team asks: 'Are you worried about the effects of cocaine on other countries such as the United States?''

"No', the trafficker says, 'because a lot of us consider this a way of responding to the attack of imperialism in South America. It's a cultural response. If a lot of people are going to die here because of imperialist policies from the United States, a lot of people there are going to die from cocaine. This is war''<sup>97</sup>.

The original film was reported to have included a passage in which it was mentioned that East German and Bulgarian technicians and chemists were working in the laboratory, together with Cuban and Colombian chemists<sup>98</sup>. While there is no known evidence, it is possible that the highly dangerous 'crack' was developed in this or a similar research facility and then test-marketed in the Caribbean before being introduced into the United States. The US Information Agency was provided with a copy of the original film but has refused to discuss it, even with other agencies, most notably its own Voice of America.

This cooperative assistance by Cuba, East Germany and Bulgaria is not limited to Latin America. Reportedly, these countries have also been active in the Middle East and have helped in the construction of heroin refineries in Syria. The Beka'a Valley in Lebanon is under the control of Syria. The valley has long been noted for the production

of marijuana and hashish. But, the shift into poppies and heroin, with the assistance of Cuba, East Germany and Bulgaria, is a relatively new development<sup>99</sup>.

The overall situation was summed up in 1988 by the chief assistant US Attorney in Miami, Richard Gregorie, who brought the indictment against Noriega. Gregorie was often critical of the rôle Washington has played, or failed to play, in putting a stop to drug-trafficking. **'If we are publicly fighting a war on drugs, why isn't the State Department involved?'** he asked. **'Prosecutors I have talked with consider the State Department to be working for foreign governments'**<sup>100</sup>.

The State Department's own attitude was clearly expressed in its September 1988 *International Narcotics Control Strategy Report*: 'We believe that our international strategy... is working'<sup>101</sup>. If it is working, one is forced to ask: **For whom? ■**

### References to Chapter 9:

1. See Anslinger and Tompkins, *The Traffic in Narcotics*, *op. cit.* and Harry J. Anslinger, 'The Opium of the People's Government', in US Congress, House Committee on Un-American Activities, *Soviet Total War: 'Historic Mission' of Violence and Deceit*, Volume II (Washington, D.C.: US Government Printing Office, September 30, 1956).
2. Stefan T. Possony, *Maoist China and Heroin* (Taipei, Taiwan: China Publishing Company, no date)
3. Candlin, *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, page 26.
4. As described in detail by William J. Gill, the new Secretary of State, Dean Rusk, was at least very sympathetic to the interests of the Chinese Communists. Also in 1961, there was an influx into the Departments of State and Justice of individuals who were formerly denied security clearances or whose backgrounds normally would have prevented them from receiving a clearance. *The Ordeal of Otto Otepka* (New Rochelle, N.Y.: Arlington House, 1969).
5. A substantial portion of the CIA's analysis was leaked to and printed by the *New York Times*. Curiously, the printed article does not include any of the data on China, nor is the geography of the original 'Golden Triangle' shown on the included map. See Felix Belair, Jr., 'C.I.A. Identifies 21 Asian Opium Refineries', *New York Times*, June 6, 1971, page A2.
6. Edward Jay Epstein, *Agency of Fear*, (New York: G. P. Putnam's Sons, 1977), page 85.
7. *Ibid.*, pages 149-150.
8. Cabinet Committee on International Narcotics Control, *World Opium Survey -1972*, publisher not identified, released on August 17, 1972 by the Department of State.
9. *Ibid.*, page 26.
10. *Ibid.*, pages A45-A46.
11. Quoted in Hon. Lester L. Wolff, *The Narcotics Situation in Southeast Asia*, Report of a Special Study Mission (Washington, D.C.: US Government Printing Office, 1972), page 12.
12. In reviewing the state of intelligence data, a former counter-intelligence specialist with the Defence Intelligence Agency [DIA] stated that the narcotics intelligence people did not seem to possess any systematic intelligence about narcotics traffic. Epstein, *Agency of Fear*, *op. cit.*, page 253. Candlin assessed *The World Opium Situation* statements by the BNDD on the rapid decline of mainland Chinese opium production in the 1950s and 1960s as being without 'even the flimsiest basis of support'. *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, *op. cit.*, page 106.
13. US Congress, Senate, *International Terrorism, Insurgency, and drug-trafficking Present Trends in Terrorist Activity*, Joint Hearings Before the Committee on Foreign Relations and the Committee on the Judiciary, May 13, 14 and 15, 1985 (Washington, D.C.: US Government Office, 1985), page 31.
14. *World Drug Impact*, Part 1, *op. cit.*, page 14.
15. See, for example, US Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report* (Washington, D.C.: US Government Printing Office, March 1987).
16. About the only Communist country to be unequivocally identified as trafficking in narcotics 'as a matter of policy' is Laos. See Michael Isikoff, 'US Accuses Laos of drug-trafficking', *Washington Post*, August 30, 1988, page A4.
17. In the interests of *détente*, US government officials have suppressed data and have knowingly failed to collect and use evidence considered contrary to policy. For example, prior to the Biological and Toxin Weapons arms control treaty signed in 1972, the United States was aware of massive Soviet activity in applying genetic engineering to chemical and biological warfare. As Herbert E. Meyer, the former Vice Chairman, National Intelligence Council, explained, **this data was 'removed at the specific request of Henry Kissinger'**. *The Defence of Western Europe*, London Conference Proceedings (New York: International Security Council, 1988), pages 72-73. This action was most unfortunate. **Had the data been pursued**

at this time, Soviet narcotics trafficking might have been uncovered insofar as it was a component of the Soviet Bloc's chemical warfare strategy. As Ray Cline, then Director of the State Department's Intelligence and Research Bureau, reported, 'crucial intelligence was often suppressed to insure that only Nixon and Kissinger had the full body of information...' John Ranelagh, *The Agency: The Rise and Decline of the CIA* (New York: Simon and Schuster, 1986), page 518.

Another example of the suppression of data ostensibly in the interests of *détente*, was the handling of the Soviet KGB defector, **Anatoliy Golitsyn**. Golitsyn had been an especially valuable defector, in the opinion of the French and British authorities, and of the CIA's chief of counter-intelligence, James Angleton. Golitsyn had provided important information on Soviet penetrations of several intelligence organisations, most notably the French, British and American, and had provided unique details on Soviet intelligence, the reorganisation of which he had helped to plan, and on Soviet deception. At Angleton's request, Golitsyn was studying the possibility that the Sino-Soviet split was a deliberately orchestrated deception. Edward Jay Epstein, reporting on his extensive discussions with Angleton, stated that in 1969 the Director of the CIA, Richard Helms, told Angleton that it was now the policy of the Nixon White House to accept the Sino-Soviet split as genuine – that is, drop the investigation.

Edward Jay Epstein, *Deception*, (New York: Simon & Schuster, 1989), page 98.

18. Jack Anderson, 'Kennedy May Help in California', *Washington Post*, May 26, 1972, page D19.

19. Edward Jay Epstein, *Agency of Fear* (New York: G. P. Putnam's Sons, 1977).

20. *Ibid.*

21. US Congress, Senate, *Drugs and Terrorism, 1984*, Hearing Before the Subcommittee on Alcoholism and Drug Abuse of the Committee on Labour and Human Resources, August 2, 1984 (Washington, D.C.: US Government Printing Office, 1984).

22. Assuming they did not have advance notice.

23. It would be only prudent to assume that many of the 'Bulgarian' officials were actually Soviet and East European intelligence service officials acting under Bulgarian cover.

24. *Drugs and Terrorism, 1984, op. cit.*, page 55.

25. *Ibid.*, page 60.

26. *Ibid.*, pages 59, 66.

27. US Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report* (Washington, D.C.: US Department of State, 1989), pages 19, 159.

28. The key report was *Shakarchi Trading Company*, File No. UN-89-0002, January 3, 1989.

29. See Peter Samuel, 'Senior Bulgarian Aides Linked to a Booming Trade in Heroin', *New York City Tribune*, March 30, 1989, page A1; 'Druglords Seen Moving Into Havens in Communist Bloc', *New York City Tribune*, March 31, 1989, page A1; 'In 1986, Bulgarian Connection Surfaced in Big Seizure in L.A. of Drug Money', *New York City Tribune*, April 4, 1989, page A1; and 'State Dept. Said to Slight Drug Enforcement to Preserve Détente', *New York City Tribune*, April 7, 1989, page A1; Knut Royce, 'Heroin Labs in Bulgaria', *Newsday*, April 1, 1989, page 7; 'Dirty Money: Drugs to Gold', *Newsday*, April 2, 1989; and Bill Gertz, 'Bulgarian Front Linked to Drugs', *Washington Times*, April 3, 1989, page A1.

30. Bill Gertz, 'State Confirms Bulgarian Company's Drug Ties', *Washington Times*, April 7, 1989, A6.

31. Peter Fuhrman, 'The Bulgarian Connection', *Forbes*, April 17, 1989, pages 40-44.

32. Robert S. Greenberger, 'Customs Chief's Feud on Drug Conference Typifies Appointee-Bureaucrat Conflict', *Wall Street Journal*, May 19, 1986, page 66.

33. US Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report* (Washington, D.C.: US Government Printing Office, March 1988), pages 14, 35.

34. Chemical analysis can be used to help determine the manufacturing origins of drug samples, especially if certain trace elements that are characteristic of the particular production process are present. This information also could be used by knowledgeable authorities to thwart proper identification by deliberately introducing indicator chemicals during the manufacturing process that would cause incorrect conclusions to be drawn following such chemical analysis.

35. Michael Isikoff, 'Soviets Suggest Trading Facts on drug-traffic', *Washington Post*, July 20, 1988. Also, the *Boston Globe* reported on September 13, 1988 that Great Britain and the Soviet Union agreed to 'unite in the fight against drug smuggling by sharing intelligence, training and operations'.

36. *National Drug Control Strategy, op. cit.*, p.67.

37. Michael Isikoff, 'DEA Proposes to Train KGB to Combat Drugs', *Washington Post*, December 15, 1989, page A23.

38. Larry Rohter, 'America's Blind Eye', *New York Times Magazine*, May 29, 1988, pages 26, 29.

39. 1972 is the year given in Jim McGee and David Hoffman, 'Rivals Hint Bush Understates Knowledge of Noriega Ties', *Washington Post*, May 8, 1988, page A16, citing access to Justice Department files. According to Michael Isikoff, a DEA official stated that the DEA's knowledge of Noriega's ties to illicit drug-trafficking dated from 1970. 'DEA Fights to Keep Office in Panama', *Washington Post*, October 4, 1988, page A27. As John E. Ingersoll, then Director of the Bureau of Narcotics and Dangerous Drugs, confirmed in 1972, there was sufficient evidence that one of the options considered as a solution to Panama's drug problem was Noriega's assassination. Seymour M. Hersch, 'US Aides in '72 Weighed Killing Officer Who Now Leads Panama', *New York Times*, June 13, 1986, page 1.

40. Rohter, 'America's Blind Eye', *op. cit.*, page 26. According to a *Washington Times* report, Noriega was recruited in 1966 by the CIA case officer Nester Sanchez. Bill Gertz, 'Noriega Was a Spy for Nearly Everyone', *Washington Times*, January 8, 1990, page A1.
41. Michael Hedges, 'To Gen. Noriega with Love: Letters from America's Top Drug Enforcers', *Washington Times*, January 17, 1990, page A1.
42. With respect to developments surrounding the finalisation of the Panama Canal Treaties under President Carter, see Warren Brooks, 'How Canal Drug Ties Were Hidden: Carter Wanted His Treaty', *Washington Times*, July 28, 1988, page F1. See also G. Russell Evans, *The Panama Canal Treaties Swindle: Consent to Disaster* (Carrboro, North Carolina: Signal Books, 1986).
43. This incident and others where Panama's involvement in drug-trafficking is denied are identified by Rohter in 'America's Blind Eye', *op. cit.*
44. Jim McGee and Bob Woodward, 'Noriega Arms Indictment Stalled in '80', *Washington Post*, March 20, 1988, page A22.
45. 'Détente' was first identified in a secret Soviet dispatch from Moscow Novosti KGB headquarters in 1968 by KGB-International Department operative Yuri Bezmenov. In 1969, the new *détente* project was explained to a gathering of Novosti-KGB staff including Bezmenov by Nikolai Agayantz, the son of the KGB disinformation specialist General-Major Ivan Agayantz. The meeting took place in Ambassador Pegov's office at the USSR Embassy in India. *Détente* was not mere propaganda, Agayantz lectured. Rather, it was part of a new strategy, based on the theory and practice of the ideological offensive as formulated in various texts, such as *The Art of War* by Sun Tzu. See Joseph D. Douglass, Jr., *Why The Soviets Violate Arms Control Treaties* (Washington, D.C.: Pergamon-Brassey's, 1988), pages 9-10.
46. Street costs of drug-trafficking in America were estimated at \$140 to \$200 billion in 1990. The costs in lost labour, prisons and health treatment are estimated at \$60 to \$100 billion. This totals \$200 to \$300 billion. To this total must be added the cost of street crimes as well as blue and white collar crimes, which are not known to have been totalled. See US General Accounting Office, *Controlling Drug Abuse: A Status Report* (Washington, D.C.: US Government Printing Office, 1988).
47. Howard Kurtz, 'Bank of America Officer Indicted in Drug Probe', *Washington Post*, March 19, 1986, page A3.
48. As explained by Ramon Milian Rodriguez, a CPA who handled money-laundering and investments for the Medellín Cartel: 'In every instance, the banks knew who they were dealing with... They were dealing with Milian Rodriguez who represented money from South America, and their corresponding banks in Panama knew where the money came from because we required certain things from them.... We were breaking the laws in a very big manner and you always have to have plausible deniability. And the New York banks are no fools'. US Congress, Senate, *Drugs, Law Enforcement and Foreign Policy: Panama*, Hearings Before the Subcommittee on Terrorism, Narcotics and International Relations of the Committee on Foreign Relations, February 11, 1988, (Washington, D.C.: unpublished stenographic transcript, 1988) pages 66-67, 92-93.
49. *Ibid.*
50. *Ibid.*, page 65. See also Howard Kurtz, 'Bank of America Officer Indicted in Drug Probe', *Washington Post*, March 19, 1986, page A3.
51. 'Cocaine', ABC News 'Close-up', August 20, 1983, Mediascan Transcript ABC-COCAINE 082083, pages 5, 7.
52. James Ring Adams, 'Losing the Drug War: Drugs, Banks, and Florida Politics', *American Spectator*, September 1988, page 20.
53. *Ibid.*, page 24.
54. Michael Hedges, 'Lack of Prosecutors Forces US to Blink at Florida Drug Crimes', *Washington Times*, November 18, 1988, page A1.
55. *Drugs, Law Enforcement and Foreign Policy: Panama*, February 11, 1988, *op. cit.*, page 94.
56. Boston Globe Spotlight Team, 'Critics Say Cash Probes Violate Rights of Privacy'. Part 7 in *Money-laundering*, published by the *Boston Globe*, no date or page numbers given.
57. US Congress, Senate, *National and International Security Threat of Narcotics Trafficking*, Hearing Before the Caucus on International Narcotics Control, June 8, 1987 (Washington, D.C.: US Government Printing Office, 1987), page 36.
58. *Hearing to Receive Testimony on Drugs, Law Enforcement and Foreign Policy: Panama*, February 11, 1988, *op. cit.*, page 79.
59. Another Colombian cartel from Cali received publicity as a result of drug wars in New York for control of the cocaine and crack markets. Michael Isikoff, 'DEA Official Guarded After Death Threat', *Washington Post*, August 28, 1988, page A9.
60. US Congress, Senate, *Hearing to Receive Testimony on Drugs, Law Enforcement and Foreign Policy: Panama*, February 10, 1988, stenographic transcript, pages 65-66.
61. Michael Isikoff, 'US Links Bank to Drug Cartel', *Washington Post*, October 12, 1988, page A1; and 'Indicted Banker Testified to Noriega Links', *Washington Post*, October 13, 1988, page A3.
62. Ramon Rodriguez was caught taking \$5.4 million in cash out of the country to Panama. This was mainly expense money – bribes and so forth. Rodriguez testified that he made \$2-4 million a month

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and that he paid Noriega about \$10 million a month. Most of the real money he shipped to Panama in commercial shipping containers. The \$14-32 million involved in the Bank of Credit and Commerce International (BCCI) indictment was a trivial amount when compared with the overall size of money-laundering operations. See US Congress, Senate, *Hearing to Receive Testimony on Drugs, Law Enforcement and Foreign Policy: Panama*, February 11, 1988, stenographic transcript, page 59.

63. Nick Tosches, *Power on Earth* (New York: Arbor House, 1986), pages 81-107.

64. US Senate, *Hearing to Receive Testimony on Drugs, Law Enforcement, and Foreign Policy: Panama*, February 11, 1988, *op. cit.* page 95.

65. *Power on Earth*, *op. cit.*, page 89.

66. Charles McCoy, 'Records from 41 Banks Are Subpoenaed in Widening money-laundering Inquiry', *Wall Street Journal*, October 31, 1988, page B12. Other banks allegedly used by the money-laundering ring and identified in the article were: **Atico Savings Bank; Banco Central S.A.; Banco de Bogotá; Banco Granadero de Colombia; Bank Real Miami S.A.; Barnett Banks; Capital Bank; Consolidated Bank N.A.; Dadeland Bank; Deutsch Sudamerikanische Bank; Eagle National Bank; Eastern National Bank; First Federal Savings of Palm Beach; First Nationwide Bank; Florida International Bank; Florida National Bank of Miami; Israel Discount Bank; Marine Midland International Bank; Miami National Bank; NCNB National Bank of Florida; Northern Trust Bank of Florida; Peoples First National Bank; Professional Savings Bank; Southeast Banking Corporation; United National Bank; Westchester Bank; Banco Atlantico; Banco Leumi Trust Co. of New York; Philadelphia International Bank; Lorain County Bank; California First Bank; Philadelphia National Bank; and Sun Bank N.A..**

67. The White House, Office of the Press Secretary, *Remarks by the President to International Drug Enforcement Conference*, April 27, 1989, page 2.

68. See Peter Samuel, 'Senior Bulgarian Aides Linked to a Booming Trade in Heroin', *New York City Tribune*, March 30, 1989, page A1; 'Druglords Seen Moving Into Havens in Communist Bloc', *New York City Tribune*, March 31, 1989, page A1; 'In 1986, Bulgarian Connection Surfaced in Big Seizure in L.A. of Drug Money', *New York City Tribune*, April 4, 1989, page A1; Knut Royce, 'Heroin Labs in Bulgaria', *Newsday*, April 1, 1989, page 7; and 'Dirty Money: Drugs to Gold', *Newsday*, April 2, 1989; and DEA Investigation Report *Shakarchi Trading Company*, File No. UN-89-0002, January 3, 1989, pages 3-5. The Republic Bank of New York, its deposits of \$760 million with the San Francisco Reserve Bank in 1984 – almost all of it from correspondent banks in Hong Kong – and the bank Treasurer's desire not to advertise or talk about this business, were discussed in 'West Coast Cash Surge Linked to Drug Dollars', *Money-laundering*, *op. cit.*

69. For a general description of the program, see 'US Loans to E. Germany Sent on to Terrorists', *Free Press International Report*, July 14, 1989.

70. *American Interests Special 'Follow the Money'* (Federal News Service, 1989), page 13-1.

71. *Ibid.*, pages 14-2, 15-1.

72. James Bamford, *The Puzzle Palace* (New York: Penguin Books, 1982), page 325.

73. Edward Jay Epstein, *Agency of Fear* (New York: G. P. Putnam's Sons, 1977), pages 85, 158.

74. Bamford, *The Puzzle Palace*, *op. cit.*, page 327.

75. For a good description of this abortive beginning of the use of intelligence in fighting the war on drugs, see Bamford, *The Puzzle Palace*, *op. cit.*, pages 314, 325-337, 369-370, and 381.

76. Bamford, *The Puzzle Palace*, *op. cit.*, page 336.

77. Guy Gugliotta and Jeff Leen, *Kings of Cocaine* (New York: Simon & Schuster, 1989), page 126.

78. Associated Press, 'Customs Chief Vents Anger As He Resigns', *Atlanta Journal*, August 1, 1989. His remarks are supported in *Drug money-laundering, Banks and Foreign Policy*, A Report on anti-money-laundering law enforcement and policy based on oversight hearings before the Senate Foreign Relations Committee on September 27 and October 4 and hearings before the Senate Banking Committee on November 1 submitted to the Foreign Relations Committee by the Subcommittee on Narcotics and Terrorism, undated but circa February 1990.

79. US Congress, Senate, *International Terrorism, Insurgency, and drug-trafficking Present Trends in Terrorist Activity*, Joint Hearings Before the Committee on Foreign Relations and the Committee on the Judiciary, May 13, 14 and 15, 1985 (Washington, D.C.: US Government Printing Office, 1985), page 114.

80. *Ibid.*, page 141.

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82. Department of State, *Report to Congress*, *op. cit.*, page 2.

83. See William E. Simon, 'Should We Bail Out Gorbachev?' *Reader's Digest*, September 1988.

84. US Department of State, *Report to Congress*, Section 2013, P.L. 99-570, Reports and Restrictions Concerning Certain Countries, May 1, 1988, page 2.

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88. Michael Levine, *Deep Cover* (New York: Delacorte Press, 1990), page 229.

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93. 'World Output of Narcotics Soars, Congress Told', *op. cit.*
94. Jack Anderson and Dale Van Atta, 'CIA Breaks Ranks on Cuba, Nicaragua', *Washington Post*, June 3, 1987, page E19.
95. Michael Hedges, 'Drug Money Ends Up in "Drawer of Fidel"', *Washington Times*, March 10, 1989, page A5.
96. See US Department of State, *Report to Congress, op. cit.*; and US Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report: Mid-Year Update* (Washington, D.C.: US Government Printing Office, September 1988).
97. Brian Crozier, 'Drogue: la Filière Soviétique', *L'Express*, December 25, 1986, page 104. For a partial English translation, see 'The Soviet Drug War Against the West', *The Free Nation*, February 1987, pages 1-2.
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99. Rachel Ehrenfeld and Peter Samuel, 'Drugs, the DEA and Damascus', *Australia/Israel Review*, August 25 - September 7, 1987; and Jack Anderson, 'Syrians Aiding Heroin Traffic in Beka'a Valley', *Washington Post*, February 1, 1984, page F10.
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101. US Department of State, *International Narcotics Control Strategy Report: Mid-Year Update, op. cit.*, page 1.

# QUESTIONS OF INTELLIGENCE

How could a massive global Soviet Bloc intelligence operation, such as the Soviet narcotics offensive, have been underway for so long without the United States knowing what was happening? This is a most important and potentially explosive question. Implicit in it are a number of additional questions; for example, what else are we unaware of and how else might we have been misled?

To a degree, the question, 'Why haven't we known?' is answered in the previous chapter. Part of the answer involves the political and private interests that have stood in the way of comprehension. A second element of the answer concerns the inner workings of US intelligence. Two aspects are particularly relevant. The first involves the collection and evaluation of intelligence; specifically, in this case, the detailed handling of General Major Jan Sejna's debriefing. The second aspect concerns understanding how Soviet Bloc intelligence operations work and the communication of this understanding. Let us consider, first of all, the debriefing.

General Sejna defected to the United States in Trieste on February 25, 1968. The usual procedure is that preliminary debriefings of defectors in Europe are conducted at a special debriefing facility near Frankfurt, Germany'. In Sejna's case, this was not done. Rather, he was immediately flown to Washington. This might have been because of Sejna's rank or unusual importance – if it were not for the fact that his subsequent debriefing and handling was more *à propos* a low-level defector of inconsequential importance. Nevertheless, his rapid transportation to Washington does suggest that someone somewhere may have wanted to exercise strict and immediate control over his debriefing.

The news of Sejna's defection to the United States, along with a brief description of the circumstances, were published in the *Washington Post* and the *New York Times* in the week following his defection. The description of Sejna in the articles was rather vague. He was described as the chief of the Communist Party at the Ministry of Defence, a member of the General Staff and of the Presidium of the National Assembly. Those were the only particulars to be published. While acknowledging that Sejna was 'one of the highest-ranking Communists ever to defect', the *Washington Post* instantly played down his importance by noting that Sejna was simply of higher rank than either of the previous year's defectors, Svetlana Stalin and Lt. Col. Renge. The only hints of his importance were statements that he had top secret information on his country's defence and on Warsaw Pact operations.

Aside from the foregoing, there was no information or even speculation in the *Washington Post* or the *New York Times* concerning the full spectrum of Sejna's positions, responsibilities, or knowledge. Rather, both papers focused attention on material designed to defame Sejna which had been published in the Communist press. There was no indication of any attempt to learn more or in any respect to challenge the descriptions of Sejna that had appeared in the Communist press specifically in order to discredit him<sup>2</sup>.

General Sejna was certainly not presented as an official of even moderate importance – notwithstanding the fact that he was probably one of the five most knowledgeable Czechoslovak officials as regards Soviet and Soviet Bloc political, military and intelligence strategy and objectives<sup>3</sup>. Rather, he was described as an embezzler, a Stalinist, a public school dropout, an individual who had been promoted through favours and against the recommendations of his peers, one who had organised an abortive coup against the new liberal Czechoslovak leadership, and who had defected with his son and a young woman 'who', as the *Washington Post* wrote, 'is being described officially here [Washington] as the General's 22 year-old mistress'. The young woman was, in fact, his son's fiancée; they were later married in the United States. These characterisations of Sejna are all false<sup>4</sup> and constitute a pertinent example of a Communist character assassination and disinformation being picked up and echoed by leading US newspapers.

The importance of this type of shallow reporting, and the failure of the US Government to correct the record, should not be underestimated. These reports, in effect, told people that Sejna was not a credible source nor an individual of any value. The reports materially damaged his opportunities to use his background as the basis for a new career; for example, teaching, speaking engagements, writing and consulting. They also, in effect, discouraged anyone in the intelligence or national security communities from seeking him out or from listening to what he had to say. How could anyone trust an individual with such a reputation? It should also not go unnoticed that when the charges were made, Sejna did not speak or read English and was not aware of how his credibility, and thus his future, were being undermined. He was unable to defend himself.

The image of Sejna portrayed in the *Washington Post* and the *New York Times* was perhaps best summarised by the description published in *Newsweek* a week and a half later. 'Up until now Americans could always fall back on one sure test: if an East European defected to the West, he was *ipso facto* a good guy. Last week, however, Washington unveiled its latest defector – only to discover that he was the heavy [that is, villain] in the case'<sup>5</sup>. To make certain the message had been adequately communicated, *Newsweek* printed a picture of Sejna with the caption, 'Sejna: The heavy in the case'.

From the news reports, one can infer that US officials confirmed the Communist reports on Sejna's defection and acknowledged that Sejna was now in the United States. They apparently did not provide any information beyond that contained in the Communist press, or any elaboration or clarification. Moreover, according to the news reports, as illustrated in the preceding excerpt from the *Washington Post*, US officials evidently directly supported at least one of the slanderous statements printed in the Communist press to discredit Sejna; namely, that Sejna was running away with his 22 year-old mistress, which was a lie, as indicated above.

To a degree, the official US handling of Sejna was understandable. It does not seem that even within the CIA or the US State Department, there was anyone equipped to clarify the record who had possessed any real appreciation of how important a defector Sejna actually was. For example, Sejna was a political officer, a commissar. Political com-

missars are generally regarded in the United States as thugs or watchdogs who report on their friends and acquaintances to authorities. They are not held in high regard or seriously considered, in any sense of the word<sup>6</sup>. Accordingly, just this one aspect of Sejna's background is sufficient to have caused most people to discount his value.

Additionally, there was little knowledge of (and thus, little attention focused on) the organisations that Sejna was a member of, or of the positions he held. US officials throughout the intelligence and diplomatic communities are not known to have appreciated the rôle of the *Kolegium*, which functioned almost as a mini-Defence Council and served, within the Ministry of Defence, to review and critique plans and issues prior to their being sent forward to the Defence Council; or of the Party Group at the Presidium, which exercised Party control over the National Assembly (parliament); or of the bureau which provided direction to the Main Political Administration, which in turn was responsible for maintaining ideological watch over the military; or of the powerful Administrative Organs Department, which ruled over the military, civilian intelligence and justice<sup>7</sup>. These were just some of the organisations in which Sejna had held leadership positions.

US officials evidently did not know what it meant to be the chief of the Communist Party (that is, First Secretary) at the Ministry of Defence, in which capacity Sejna monitored all top-level Czechoslovak decisions and communications to and from other countries, including the Soviet Union, and exercised *nomenklatura* (position appointment power) over all mid-level military officers. Most Soviet Bloc intelligence experts did not even know a Defence Council existed, let alone what its function<sup>8</sup> was or what it meant for Sejna to be its secretary and in charge of the Defence Council agenda, the preparation of decisions, and the dissemination of implementing directives.

Thus, it is entirely possible that there was no US official in a position to know and take appropriate action, who understood how truly important a defector General Sejna was. At the same time, there were several glaring inconsistencies and departures from normal practice, such as: (1) The lack of an initial debriefing in Europe; (2) the manner in which Sejna's CIA debriefing was terminated, which will be described later; (3) what appears to have been an immediate decision to exercise strict control over his debriefings, keeping them focused on tactical military matters and away from topics of possible strategic significance; and, (4) at the same time, a decision to discredit Sejna so that no-one would actively seek him out or listen to what he had to say.

While these decisions were made within the US Government, **it seems more probable than not that the decisions were not based upon bureaucratic self-interest or policy considerations, but were orchestrated, on the contrary, by Soviet intelligence or agents of influence.** The logic behind this hypothesis will become more evident during the following description of what happened, and, more particularly, *what did not happen*.

Sejna's debriefing began in the normal manner. First, the debriefings focused on questions of tactical warning: the possibility of an imminent attack, security codes, alert measures and conditions – items of immediate military significance. Following these potentially time-sensitive questions, the debriefings shifted to questions of a personal and professional nature. This was the establishment of the *bona fides* phase, which had its problems because the people conducting the CIA debriefings did not understand the Communist system<sup>9</sup>, had many misperceptions, and hence often did not like Sejna's responses to their questions.

After General Sejna's *bona fides* had been established, the debriefings finally settled down to probe his knowledge of Czechoslovak and Warsaw Pact military organisation

and operations. This is where serious questions about the nature of General Sejna's debriefings arise. The debriefings, which lasted for roughly ten months, were confined to questions relating to matters of tactical military significance<sup>10</sup>. And, while Sejna's knowledge in these matters was unquestionably extensive, these subjects were at the same time the least important ones of which Sejna had detailed knowledge. Moreover, some of these debriefings were so trivial that they properly should be regarded as strictly ways to pass the time and maintain the image of being busy. (Sejna was asked, for example, to sketch the different Czechoslovak military insignia, which, as he told his debriefers, were freely available in the library across the street from the US Embassy in Prague)<sup>11</sup>.

General Sejna had also turned over to the CIA secret and top secret documentation he had brought with him, carefully selected by him for its wide-ranging importance<sup>12</sup>. He was never asked one question about these documents or the material they contained. While the documents were translated, the translations were never made available to the intelligence community<sup>13</sup>. It was also about this time that the decision was made to actively discredit Sejna, cast aspersions on his character and on the reliability of his testimony, and thus dampen any interest in what he had to say. As described by a former CIA official, the word was spread throughout the middle and upper echelons that Sejna was a 'heavy'. It was important to recognise that this was inconsistent with the distribution of the CIA intelligence reports on Sejna's debriefings, all of which identified the material as having come from a reliable source'.

The failure to debrief Sejna cannot be excused on the ground that the CIA debriefers did not know that Sejna possessed information of prime strategic significance. Often, following the sessions, he would chat with his debriefers and tell them that they were not asking the right questions. Also, one of the first things Sejna told his debriefers was that in his opinion the most important information he brought with him was his detailed knowledge of the Soviet 'Long-Range Plan for the Next Ten to Fifteen Years and Beyond'; but, that he would not discuss this plan, which detailed the Soviet Bloc's coordinated strategy and tactics around the world<sup>14</sup>, until the decision to grant him political asylum had been made. But, after that decision was made, and continuing to the present, there was no effort to debrief Sejna on the contents of the Soviet plan<sup>15</sup> 'to bury us'. This was, and continues to be, a most serious error.

In 1975 the importance of Sejna's knowledge of the Soviet long-range plan was made public by Lord Chalfont in a series of three articles in *The Times* of London<sup>16</sup>. Even so, no attempt to debrief Sejna was made, nor subsequently in 1983 after Walter Hahn, the editor of *Strategic Review*, wrote about Sejna's knowledge<sup>17</sup>. He has still [1990] not been debriefed on the long-range plan; and, given the nature of Soviet intentions, goals and strategy<sup>18</sup>, which had not materially changed in over seventy years, most of the objectives, strategies and operational concepts set forth in the long-range plan probably remain valid.

In the late spring of 1968, General Sejna was made available to a Defence Intelligence Agency (DIA) debriefing team, which consisted of two warrant officers, a major and on a few occasions, two colonels, none of whom seemed to Sejna to have any background or interest in political, military, or intelligence strategy, policy or objectives. Their debriefings were also confined to matters of tactical military significance; for example, Tables of Organisation and Equipment (TOE) for small units, such as companies and battalions and unit locations. As a further indication of the CIA's attitude towards Sejna, during the Defense Intelligence Agency debriefings the DIA officers always addressed Sejna as 'General Sejna' out of military courtesy and respect. Then one day, in Sejna's

presence, the CIA handler directed the DIA officers not to refer to Sejna as General Sejna any longer because the Czechoslovak Politburo had 'taken away his rank'<sup>19</sup>.

During Sejna's debriefing throughout 1968, and for many years thereafter, there was (and still is) no indication of any serious top-level US intelligence or national security interest in what he had to say<sup>20</sup>. He was not taken to meet any high CIA officials, such as Richard Helms, who was then the CIA director, or his deputies, or any key officials within the Operations Directorate, such as James Angleton, whose counter-intelligence office exercised cognisance over General Sejna from 1970 until the office was broken up in 1974. Nor, for that matter, was he taken to see any of Angleton's deputies, not even the one who was directly responsible for Sejna from 1970 to 1975. And while Sejna was scheduled to visit Congress on four or five different occasions, each time the visit was cancelled; why and by whom has not been divulged, but these are important questions.

Perhaps the most important inconsistency during Sejna's debriefing occurred in May 1968, when the former US Ambassador to the Soviet Union, Llewellyn Thompson, then a senior State Department adviser on Soviet affairs, came to visit him. Why such a high-ranking US State Department official would want to visit Sejna, given the way in which he was described and officially debriefed, is curious, to say the least. Did he visit Sejna on his own initiative, or in response to another person's request or suggestion? Thompson began the conversation by asking Sejna if he thought Communism was changing<sup>21</sup>. Sejna answered no. **The strategy, the objectives remain as set forth by Lenin. There had been no change in these objectives, and neither was any change likely, Sejna said.** Thompson responded sharply, advising Sejna that he, Sejna, was wrong. The conversation went downhill and soon ended.

Thompson was the only high-ranking official whom Sejna recalls came to see him. At the mid-level, things were no better. Only two individuals of moderate rank visited Sejna, the deputy head and the Czechoslovak desk officer of the CIA's Soviet Bloc division. Presumably, Sejna's debriefings would have been controlled by this division. But these two people apparently did not come to question Sejna, they came only to visit informally. Both spoke Czech, one having emigrated<sup>22</sup> from Czechoslovakia prior to World War II, the other having served as a military attaché in the US Embassy in Prague. Both were introduced to Sejna under false names, which Sejna immediately recognised because both individuals were among those that Sejna and other Czechoslovak officials had been warned about on numerous occasions during KGB counter-intelligence briefings that were a regular part of Czechoslovak and Soviet internal security practices.

Sejna, who had an extremely well-disciplined memory, recalled with ease their pictures, correct names and backgrounds as previously provided by the KGB. What these CIA officials were after or why they did not show any apparent interest in what Sejna really had to say, is not known. However, it is almost inconceivable that anyone in such a position would fail to recognise that Sejna was no ordinary defector and that his main value lay not in what he had to contribute to our understanding of Warsaw Pact *tactical* military matters but, rather, in his first-hand knowledge of matters of *strategic* importance; for example, Soviet political, military, and intelligence strategy and decision-making.

Indeed, that this was recognised by someone, would seem to explain a second visit by Ambassador Thompson. When the Soviets invaded Czechoslovakia in late August 1968, Sejna asked that he be allowed to speak out and explain to the American public and to statesmen around the globe what was happening in Czechoslovakia, including detailed background information on Soviet preparations for the invasion, which Sejna had recog-

nised well in advance would probably take place. Sejna was most insistent, which was the reason behind Thompson's second visit. In this case, Thompson's visit was certainly not self-initiated. Thompson was summoned to discourage Sejna from telling his story to the public. He quickly explained to Sejna that it was not in the interests of the US Government to publish and describe what was happening. Sejna disagreed. Then Thompson communicated a clear threat. He told Sejna that Czechoslovakia had requested Sejna's return and that Prague's request might be honoured if Sejna were to make trouble. Sejna told Thompson that this was not possible because under the United Nations charter, the United States could not return him to Czechoslovakia or any other Soviet Bloc country. Again, the conversation deteriorated rapidly. When it was clear that he was not about to change Sejna's mind, Thompson advised Sejna that he should not tell the United States what we can do and abruptly terminated the meeting.

At this point, additional questions arise. Who called Thompson and requested his assistance, and why? Why was it not in the US interest to have the invasion explained to the US public and the rest of the world? Most importantly, *who was pulling the strings?*

In deference to Sejna's request, he was placed in contact with a reporter from the *New York Times*, Richard Eder, and offered the opportunity to go up to New York, at his (Sejna's) own expense and tell what he wanted to say. This he did, and then was shocked at the manner in which the interview was written up<sup>23</sup>. As Sejna described the articles, Eder did not use any of the most important facts behind the invasion, for example the seven months' advance preparation, twisted much of what Sejna had to say to compromise him, and lied about the interview in a manner that made Sejna look like a 'primitive'. He called Eder in New York and complained bitterly. Eder's reply was that it was not his fault. His editors were responsible for the final form of the article, he told Sejna.

Notwithstanding the nature of the reporting, a moderately informed reader would still have to wonder what else Sejna had to say about politically important events in which the Soviets had participated. Nor were the Eder articles the sole reason that someone should have reached (or clearly did reach) this conclusion. Neither does it seem credible that Sejna's information on the Long-Range Plan was overlooked merely by accident.

In the summer of 1968, one of Sejna's CIA handlers advised him to write his story, which could be published and provide him with a good income. Sejna set to work in the evenings writing his story. His son's fiancée typed the manuscript, which the CIA had translated into English as it was being produced. The manuscript, which ran to over 300 pages, was completed shortly before Christmas that year.

It did not deal with tactical military matters. It set forth Sejna's background, including the various positions he held, his steady interaction with the highest level Communist leaders from all countries, and, of special importance, the nature and dimensionality of Soviet long-range strategy and the world revolutionary process. Again, it is inconsistent with the nature of the intelligence process to believe that this material was not reviewed within the CIA division responsible for Sejna<sup>24</sup>. Nor does it seem likely that anyone with responsibilities for intelligence on Soviet Bloc operations could have read the document and not understood that here was a source of immense value (or danger, depending on one's perspective), and a defector who was being totally mis-debriefed.

When Sejna's first draft had been completed, in mid-December 1968, he gave a copy to the *Readers Digest*. Earlier, the CIA had allowed a *Readers Digest* editor to meet and interview Sejna. During their conversation, Sejna mentioned the book he was writing. The editor had asked to see a copy when it was finished<sup>25</sup>. Evidently they liked what they saw, because they

prepared a contract to publish the book and five short articles, which Sejna signed.

**What happened next is of paramount significance.** As a senior member of James Jesus Angleton's counter-intelligence staff explained, almost immediately after President Nixon's inauguration in January 1969 a directive was sent from the White House to the CIA, ordering them to cease debriefing Sejna immediately and, in the process of getting rid of him, not to give him a job in the US Government. Even more amazing than this White House interest in a Czechoslovak defector *who had been so unimportant that he had only been worth debriefing about tactical military matters*, were the lengths to which the CIA went to implement the White House directive as fast as was humanly possible.

Sejna was told that the debriefings had been terminated and the next day he was moved out of the safe house. Without arranging for a new identity for Sejna, or paying any evident attention to Sejna's personal security, the CIA proceeded to help Sejna find a house to rent in Maryland. On almost his first day in the new house, the US Postal Service delivered an envelope addressed to 'General Sejna' from the real estate agent. It was his copy of the rental agreement. The actual rent, he learned, was more than the stipend he was receiving from the CIA. He next learned that his neighbour was a Bulgarian diplomat. Finally, in the process of locating a school for his son's fiancée's brother, who had defected in August 1968 and after several months had been reunited with his sister, he had asked the CIA to see if a local school was safe. He was told that they had checked it out and it was – only to learn later that the children of ten Czechoslovak diplomats were then attending the school. Can all this be excused as oversight, or as an unfortunate string of coincidences? Was he being taught a lesson? Or was the object to let the Soviets know where to find Sejna? Then he was told that there was no job for him in Washington – notwithstanding the initial agreement he had reached with the CIA which included productive employment, schooling for his son, and the stipulation that his son should not be drafted to serve in Vietnam (his son had a fused disc in his back), as conditions for Sejna's cooperation. The CIA reneged on all three provisions.

The whole manner in which Sejna's debriefings were first carefully controlled and restricted to the tactical military area, notwithstanding Sejna's suggestions of more important areas for inquiry, and then precipitously terminated, raises serious questions. It would seem that someone with control mechanisms deep within the CIA and with access to the White House knew that Sejna was an explosive time bomb that needed to be defused.

Clearly, Sejna's knowledge placed in jeopardy numerous Soviet Bloc operations, methods, agents and plans. The problem was certainly recognised by the controlling powers the instant his defection became known. It also seems that his importance was unlikely to have been known by CIA or White House officials because of limitations in their own background knowledge, as previously described. The debriefing process kept Sejna out of the way for a year; but the emergence of his manuscript could well have underscored the need to seek a more permanent solution. Whatever the cause, the same powers that controlled the process may have recognised that additional measures were required. Timing is the essence of success in intelligence work. The confusion within the (new) Nixon Administration provided an ideal cover for displacing the threat that Sejna represented; hence, the White House directive following the inauguration.

The question is, who took that decision? It seems reasonable to conclude that more than one person was involved, just as more than one person would have been needed to control the debriefing process so completely and effectively for ten months. The operation appears to have enjoyed advance CIA-White House coordination. That is, the skids



appear to have been well greased. Otherwise, implementation by the CIA would not have proceeded so expeditiously, if at all. Might there have been a linkage between the completion of Sejna's manuscript and its submission to the *Reader's Digest*, or was everything planned months in advance, only waiting for the turmoil associated with the arrival of the new administration for its implementation?

As part of his book contract with the *Reader's Digest*, Sejna was to work with the *Digest* in writing five articles. The first was placed in motion in April 1969. It dealt with the seizure of the US intelligence collection ship, *Pueblo*, by the North Koreans on January 23, 1968. In the article<sup>26</sup> Sejna, set forth the time, place, and circumstances when he was informed by Marshal Andrei Grechko, the Soviet Minister of Defence, of the Soviet strategy to humble the US intelligence collection program.

Sejna described the entire Soviet strategy, including the logic underlying the use of the North Koreans and the Soviet excitement over the volume of intelligence they obtained when they briefed the top Czechoslovak leadership a few days before Sejna's departure for the West.

What was particularly unfortunate about the failure of US intelligence to have obtained the information about Soviet objectives and their use of North Korean intelligence is the possibility that the information, if obtained earlier, might have been used to avoid the shooting down of the US EC-121 reconnaissance plane which occurred over the Sea of Japan in April 1969.

Alternatively, it is also easy to understand why the US strategic leadership might not have liked what Sejna had to say. For example, in the article, he described the situation the day after the *Pueblo* was seized, when Soviet Colonel General Aleksandr Kushchev, the principal Soviet military adviser in Prague, explained to the most senior members of the Czechoslovak leadership what had happened:

The entire operation went off smoothly – incredibly smoothly. The *Pueblo* crew, to a man, capitulated. They did not fire a shot. Frankly, we thought it would be much more complicated. The Americans were so bewildered that they failed to destroy thousands of documents. It will take our experts quite a while to analyse them. We've all heard about what a great communications and command system the Americans have, how they use computers, how they can respond instantly to an attack'.

'Well, yesterday it took Washington literally hours to pull itself together and even begin to react. This is a precise example of how the most advanced military technology cannot compensate for a lack of will and leadership'<sup>27</sup>.

The *Preface* to the article by Jan Sejna was particularly interesting. After introducing the author, the editor acknowledged that the article had been excerpted from Sejna's forthcoming book and then stated: 'Much of what he reports here cannot be confirmed because of the rarefied circles in which he moved. But he has been interviewed at length by *Digest* editors, and specific references that could be cross-checked have been painstakingly investigated. No contradictions have been discovered'.

Similar findings were reported by Lord Chalfont in 1975, when he wrote the series of three articles for *The Times* of London, previously cited, based on interviews with Sejna. No-one, to my knowledge, including top US and British intelligence and counter-intelligence specialists who worked with Sejna, has ever found any honest reason to question

Sejna's *bona fides*. The *Reader's Digest* article also carried a concluding paragraph which the editor (possibly a different editor) added to Sejna's article. That paragraph read as follows:

'General Sejna's assertions were made available to the *Reader's Digest* last April 13, just two days before North Korean MIGs shot down a US Navy EC-121 reconnaissance plane in the Sea of Japan. No evidence exists at this writing that the Soviet Union had a hand in this second act of piracy perpetrated by the North Koreans within 15 months'.

Why did the *Reader's Digest* editor suddenly call into question Sejna's intelligence by now referring to what Sejna had to say as 'assertions'? Why did the editor further suggest that both acts of piracy were perpetrated by the North Koreans when Sejna had just finished explaining that the *Pueblo* affair was a Soviet-conceived and directed operation? And why did the editor suddenly and gratuitously suggest that there was no evidence that the Soviet Union was involved in the second act of piracy? If anything, the presumption should have been that the second act of piracy had merely been a continuation designed to capitalise on the success of the first act.

It was established as early as 1946 that Soviet intelligence set up, trained and directed North Korean intelligence. This Soviet direction continued with little diminution of control well beyond the *Pueblo* and EC-121 incidents. Moreover, the CIA had determined that the Soviets routinely passed data on the location of American ships in North Korean waters to North Korean intelligence<sup>28</sup>.

Sejna confirms Soviet control of North Korean intelligence, and adds that North Korea was often used as a transfer country for bringing people covertly into Soviet Bloc countries<sup>29</sup>. Additionally, it may be relevant to recall that Soviet pilots are known to have flown North Korean planes in combat with the United States during the Korean War, although this fact was kept secret for many years.

One has to wonder: what was going on. Why would the *Digest* have wanted to undercut its own article?

All three Washington newspapers carried stories about Sejna's article and both the *Associated Press* and *United Press International* despatched stories on the international and domestic wires. Interestingly, the *New York Times* printed nothing. As the *Digest* editor who worked with Sejna in preparing the article wrote to him following publication of the article, 'Why [the *New York Times* ignored the article], I cannot imagine'.

As indicated earlier, after Sejna's debriefings were abruptly terminated, he was told that there was no job for him in the government. Soon thereafter, the CIA persuaded Sejna to accept a small lump-sum payoff and then arranged to have him relocated to Lake George, New York. The CIA also helped him obtain a restaurant, which he would then manage as his 'new life'. Who made the decision to move a former high-ranking Communist with no capitalist experience into a business in what has to be regarded as a particularly capitalistic region of New York State is another important unanswered question. Needless to say, Sejna's business failed, and within nine months he was destitute.

Repeated calls to the CIA for assistance went unanswered. Finally, in desperation and with his son's help, Sejna wrote a short letter to the director of the CIA, Richard Helms, explaining the tragic nature of his situation and offering his advice on how the CIA could change their approach to handling defectors so that this type of situation would be avoided in the future. The letter did generate action. The Czechoslovak-speaking member of the Soviet Bloc division of the CIA went up to Lake George and brought Sejna and his family back to Washington.

Before examining what happened after his return, it is important to recognise one positive accomplishment of Sejna's while he struggled to survive, capitalist style, in upstate New York. He redid the manuscript for his book in accordance with instructions from the *Reader's Digest* editor. The second draft was finished about the same time that Sejna had reached the end of his financial rope, in November 1969.

Subsequently, after his return to Washington, while he was trying to repair his own self-esteem, the *Reader's Digest* arranged to have an emigré Czech professor translate the new manuscript and also hired a full-time editor, whom they set up in the Sheraton Hotel in Washington for six months, at no small expense, to edit the translated manuscript.

By early summer, the manuscript had been completed and the New York *Reader's Digest* editor told Sejna that the manuscript was fine and needed no further editing. They would be back in touch with him in Washington in a few weeks. A few weeks went by with no word received. He telephoned to learn what was happening, and was told to go to the Washington office, where he was informed by the Washington editor that the *Readers' Digest* had decided not to publish the book for economic reasons. Sejna recalls the editor's simple explanation: 'It was not our decision'.

General Sejna's attempts to find a US publisher for the manuscript proved to be fruitless†. It was not until British intelligence offered to help that a publisher was found – a British publisher. Sejna's book, *We Will Bury You*, was finally published in 1982 by the London firm of Sidgwick & Jackson. Of course, by that time many people in the West regarded what Sejna had to say as ancient history.

When General Sejna was brought back to Washington at the end of 1969, his control was transferred to counter-intelligence under James Angleton. While there were some indications of a broader range of interest in Sejna's knowledge on the part of his handlers in counter-intelligence, he was, if anything, treated worse than he was in 1968 – when at least the debriefings were professional if not well-directed. At one point in time, he was asked to write several papers, and a CIA retiree who was a Czechoslovak defector was brought in to help translate and write down what Sejna had to say.

Among the information contained in those short papers were the first revelations on the Soviet Bloc's training of international terrorists; the penetration by Soviet Bloc intelligence services of organised crime; the Soviet use of sports organisations in connection with military intelligence operations; the formal agreement concerning Soviet direction and control of the satellite countries' intelligence services signed at a meeting in Moscow of the heads of the Soviet Bloc intelligence services in October 1964; deception and *maskirovka*; and recommendations on the use of narcotics against the United States' forces in Korea<sup>30</sup>. The reaction of Sejna's handler to all this information was:

'You are writing too much. I do not have time to read it. Stop it'<sup>31</sup>.

During his 'tenure' in the counter-intelligence office, as another counter-intelligence officer explained, General Sejna was employed almost exclusively to read through count-

† *Editor's Note*: The same sterile and pointless game was played with a manuscript prepared by the genuine Soviet defector **Anatoliy Golitsyn**. After a fruitless search for a US publisher, a British publisher, Edward Harle Limited, who have produced the present work, was found; and *The Perestroika Deception* duly appeared (1995 and 1998). Initially, this Editor also, misguidedly, sought a US publisher on behalf of Mr Golitsyn. On one occasion, a US organisation known to have intelligence community connections wrote a warm letter of commendation about the new Golitsyn work to a publisher in the Washington area, based upon the provisional contents list for the book which had been provided by the Editor. In a separate sentence, though, the writer added that 'personally I don't agree with it'. The lesson appears to be that genuine (as opposed to controlled) defectors to the United States who are dissatisfied with their treatment at the hands of US intelligence, and seek to publish the fruits of their labours and experience in the interests of truth and integrity, would be best advised to approach publishers in London from the outset, without wasting time doing the rounds in Washington.

less Soviet and East European newspapers and to write down on index cards the names of any US citizens appearing in the articles. As a secondary activity, he was sent to numerous foreign countries to brief their officials on Soviet strategy. On these visits General Sejna encountered receptive and appreciative audiences.

Other than this, and the abortive attempt to draft the papers described above, the only attempts to tap Sejna's vast knowledge were the debriefings undertaken by British counter-intelligence, substantial elements of which were ultimately incorporated into his manuscript. There were no detailed debriefings by the CIA counter-intelligence staff.

It is also relevant in reviewing this matter to recognise that General Sejna is not a unique example of US failure to debrief and handle a key defector properly. The failure of the CIA to make good use of defectors became sufficiently well-known that Congressional hearings were held on the subject, and in 1985 the President's Foreign Intelligence Advisory Board began to look into the matter.

The handling of Yuri Nosenko and of Anatoliy Golitsyn<sup>32</sup> are two of the best-known cases, but difficult to deal with because of the serious counter-intelligence implications. Suffice it to say that the CIA failed seriously to debrief a defector whom British intelligence considered to be the most important defector of the time. Vladimir Sakharov<sup>33</sup>, who was one of the first defectors to 'go public' with his story of mishandling and CIA tradecraft incompetence, played an important rôle in drawing attention to the mishandling issue.

Lt. General Ion Pacepa<sup>34</sup> is another interesting example which bears certain similarities to Sejna's case. Pacepa was a high-ranking Romanian intelligence official. David B. Funderburk was US Ambassador to Romania from 1981 to 1985. In his book about his tenure as Ambassador<sup>35</sup>, Funderburk described his attempts to curtail Romania's policy of stealing technology from the West. Evidence on these transfers dated back to the mid-1960s, consistently with Romania's increased ties with the West.

Funderburk explained: 'While I am not at liberty to present the intelligence information which documents case after case, I can say that Pacepa has publicly reported on many of them. Also, I was told at a CIA briefing during the summer of 1984 that Pacepa was never asked questions about tech transfer by US intelligence when he came out in 1978. This seems like a strange omission'. Strange, because technology theft was one of Pacepa's principal responsibilities. Funderburk also indicated that when Pacepa began reporting on Romania's technology theft operations, the State Department initiated a discrediting operation. However, 'the State Department can continue using minute discrepancies to discredit all of Pacepa's revelations, but it will not erase reports he has made which ditto other evidence US intelligence already has'<sup>36</sup>.

While most of these cases can be dismissed as mishandling or examples of an anti-defector bias, Sejna's case stands apart because of his extensive knowledge and experience at the highest levels throughout the Communist system. My conclusion is that it is totally unreasonable to attempt to excuse what happened to Sejna (and continued happening until his death in 1997 – *Ed.*) as simply poor tradecraft, sloppy technique, the results of distrust of defectors within US intelligence, or mere incompetence.

On the contrary, it seems clear that Sejna was handled, at least during his formal debriefing in 1968, in an extremely professional manner, albeit not in accordance with the United States' interests. It seems equally clear that what Sejna had to say was contrary to *détente* and could have done great damage to Soviet strategy and Soviet intelligence operations – if only someone had listened to him and acted on this vital information.

This is the critical point. Certainly in the beginning, and continuing up to the time

that the CIA terminated their relationship with Sejna in the mid-1970s, the only people who really knew how important Sejna's knowledge was, would seem to have been the Czechoslovak and Soviet Defence Councils.

The detailed nature of General Sejna's knowledge can be deduced from the foregoing chapters. Nor does this material represent the limit of Sejna's knowledge of Soviet Bloc drug operations. I have left out considerable material which was not essential to this story; for example, names of specific individuals who were directing and running different phases of the operations, details on many of the drug-related meetings and plans, and Soviet Bloc operations in Africa, the Middle East, Europe, South Asia and the Far East.

Furthermore, the Soviet Bloc's drugs strategy was not the only area where Sejna could offer detailed knowledge. On the contrary, as a result of his position, Sejna's overall knowledge was known to be encyclopaedic. The narcotics data represented but a small sampling. His knowledge covered a wide variety of Communist military, intelligence, political plans, operations, strategies and tactics<sup>37</sup>.

It is also important to recognise that what General Sejna had to say has been confirmed time after time – the material on Soviet training, supply and financing of international terrorists being a typical example.

Another enlightening instance of the accuracy of Sejna's revelations in the public domain was the Czech defector's report on the successful Soviet use of West European news media to discredit Franz Josef Strauss. The details of that operation and the successful efforts of Sir James Goldsmith to confirm Sejna's information are presented in Chapman Pincher's book, *Secret Offensive*<sup>38</sup>. Moreover, in discussions with various intelligence officials *who have worked with Sejna and studied his data*, I have not uncovered a shred of evidence that any of these officials know of any data provided by Sejna that had been shown to be suspect, deliberately misleading or false [see also page 120].

There has been a continuing attempt by CIA professionals over the years to discredit General Sejna. The campaign began almost as soon as his debriefings started and has never really ceased. Among the more important instances were attempts in the early 1980s to discredit Sejna's testimony on the Soviet involvement in international terrorism. A more typical example was the statement by a CIA mid-level official in 1986 to some researchers at the Fletcher School of Law and Diplomacy who were taking Sejna's testimony in an oral history project. The official referred to Sejna as only a 'two-bit whore'; in effect, advising them not to pay any attention to what General Sejna had to say.

As Sejna's expertise in various areas of strategic importance has surfaced over the years, intelligence specialists ask why he did not tell us about something before – or otherwise discredit the information by suggesting that he became smarter with age. It was clear that, as a general rule, neither the intelligence nor the national security policy community liked what Sejna had to say. He was viewed, not as an expert from whom to learn, but as a threat to entrenched policies and institutional misperceptions about how the Communist system works. But most of all, he was **a threat to Communist political subversion strategy**.

Thus, the question is not, why did he not tell us these things before? The answer to that question is that **no-one asked, no-one wanted to know, and many wanted not to know**. The real questions are, why do people not want to know; why was there no attempt to debrief him seriously or even to learn the total spectrum of his knowledge? Why were false rumours spread in a campaign to prevent others from listening to what he had to say? Who was behind the concerted campaign to bury Sejna's knowledge? And, why does this process continue even today?

*I repeat: How on earth could a major global Soviet Bloc intelligence offensive, such as the Soviet drugs operation, have been underway for so long without the United States knowing what was happening?* This crucial question has a simple answer. No-one in the US Government with the authority or responsibility to take action evidently wanted to know, or wants to know. Indeed, they wanted **not** to know. This is still true today and knowledge of this reality provides one of my motivations for writing this book.

Are there other important examples where Sejna's knowledge is ignored? Yes, numerous ones: for example, Soviet decision-making; Soviet long-range strategy; Soviet strategic deception practices; Soviet Bloc intelligence operations; Soviet revolutionary war strategy; Soviet penetration and use of organised crime; Soviet penetration and subversion of political parties, especially the Social Democrats; and Soviet sponsorship of international terrorism, to mention just a few areas of the defector's expertise. General Sejna's knowledge about these (and other) subjects was not unprecedented in the sense that there are other sources with considerable detailed information about them.

What *was* unique however, and virtually unprecedented in the case of Sejna, was his high-level perspective. He was able to explain the overall operations and strategy, which then enables the analyst to understand how the various details from other sources and from seemingly independent subject areas relate and fit together. That is, he provided the overall picture which gives meaning to the individual pieces of information provided by the many lower-level sources.

While Sejna defected in 1968, his broad knowledge is especially important now in understanding the cataclysmic changes that are taking place. **His high-level understanding of how the Communist system handled previous changes and of how organisations are split apart and reconstituted in different forms, specifically to deceive the West about the nature of the changes, should be most valuable today.** One context would be in understanding the alleged 'dismantling' of the various secret intelligence agencies and the mechanisms by which various government agencies in satellite countries are 'controlled' by Moscow.

These disturbing errors of omission bring to mind additional insights provided during a colloquium on intelligence in 1987 by Ken de Graffenreid. De Graffenreid was responsible for intelligence on the National Security Council staff from 1981 to 1987. He identified what was in his view a significant US counter-intelligence problem; namely, that **many US officials oppose activities aimed at combating Soviet intelligence operations.** 'When I was at the NSC' he explained, 'one example was the insistence of many State Department colleagues that little serious effort, diplomatic or otherwise, should be directed at the KGB threat within the United States. They argued that doing so would 'upset US-Soviet relations'.

Still further, de Graffenreid explained that 'whatever the policy during my years at the White House (1981-1987), the State Department, to my knowledge, opposed at least initially every one of the hundreds of recommendations for dealing with the hostile intelligence threat presented within the government'<sup>39</sup>. This opposition to action against Soviet Bloc intelligence agents, particularly the KGB and GRU, was a source of contention long before 1981. The FBI continually encountered problems obtaining PNG (*persona non grata*) action approval. The same is true in the drug business. In his letter of resignation dated July 31, 1989, the outgoing US Customs Commissioner William von Raab wrote: 'For the past eight years, the State Department has objected

to every effort to control foreign drug production, thus earning the title the 'conscientious objectors' in the war on drugs'<sup>40</sup>.

The second characteristic of US intelligence which helps explain the evident lack of attention directed to Soviet drug-trafficking strategy concerns the perceptions among US decision-makers and advisers about how the Communist system operates – especially the coordination that takes place between Soviet intelligence operations and those of its satellites, and the mechanisms by which the satellite operations are initiated and controlled. There are two important questions. The first concerns internal control. When several officials of a Communist country are involved in drug-trafficking, is the government of the country involved? The second concerns external control and the degree to which the Soviet Union is responsible for the actions of its satellites.

Communist systems are noted for their effective internal control mechanisms. This is one of the primary functions of the notorious secret police. People are required to spy on their associates, even on their parents. Additionally there are important organisations the function of which is the organisation of spying on the nation's own citizens. Organisations that keep watch over their own citizens include the secret police or civilian counter-intelligence and, in the case of the military, military counter-intelligence, and the Main Political Administration. There are also a variety of lesser-known Party organs, especially with respect to keeping watch over the watchers; that is, a counter-counter-intelligence agency. As Sejna described the situation, every person is watched three ways. So it is inconceivable that any individual would be engaged in significant narcotics trafficking without the knowledge, approval, and participation of the State.

It is quite true that there are corruption and illegal operations in Communist countries. But it is not true that they are not known. Rather, they are known and are tolerated. Indeed, toleration of certain illegal activities is the only way the Communist system is able to survive. Additionally, corruption is, in a sense, *desired* because people who are corrupted can usually be blackmailed or intimidated, and as such are easier to direct and control. The question of what is tolerated revolves around the furtherance of State policy. Many vices are accepted. The black market is generally tolerated. Indiscriminate use of women by high-ranking officials is tolerated. But corruption that would negatively impinge on State policy, corruption that is regarded as treasonous, is not tolerated. Certainly the large-scale trafficking in drugs and associated money-laundering would not be tolerated because it would place State policy at risk.

To the extent that it is tolerated, it is absorbed into a parent intelligence operation where it can be carefully monitored and controlled. The idea of Cuban officials being involved as they are, or the Bulgarians, or Nicaraguans, or Vietnamese, or North Koreans and so forth, without official direction and control, is *simply not a reasonable proposition*. These countries do not simply 'facilitate' or 'condone' the trafficking. **They authorise, direct and control the trafficking as an official State activity.**

Fixing the responsibility for satellite intelligence operations is a more difficult but an equally important task. Indeed, it is essential, and not just because of the drug business. The Soviets habitually use satellites and surrogates as agents in implementing Soviet intelligence operations. This has been pointed out to US officials by numerous defectors from Soviet and Soviet Bloc intelligence services. There are several reasons; some are obvious, some not so obvious. The obvious reason, and one most often provided by defectors in trying to explain what is happening, is to afford the Soviet Union *distance and deniability*

in potentially embarrassing operations. Certainly, drug-trafficking is an excellent example of such a deniable operation. Assassinations with a high risk of disclosure is another good example. Minimising the associated political risk is also a reason for using Third World country surrogates – as was explained by Janos Kadar, First Secretary of the Hungarian Communist Party, in the proposal he made at the 1962 Moscow meeting (Chapter 4).

Less obvious factors are that in many ways the Soviet satellite services are more imaginative and competent than the Soviet intelligence services themselves. Satellite countries often have skills and knowledge that are lacking or scarce in the Soviet Union. The satellite services also have better ethnic ties into many countries, for example into the Middle East or Latin America. These ties are exploited in setting up intelligence operations. And finally, most countries are inherently suspicious of the Soviets, but not of satellite citizens, who tend to be regarded as victims, not co-conspirators. All these factors led to the development of effective and operationally utilised satellite intelligence services, of which the Czechoslovak intelligence service was an especially good example. This underscores the importance of Sejna's knowledge. As secretary of the Defence Council, Sejna participated in the annual review and approval of the one-year intelligence plans and during the Party Congresses, in the five-year and fifteen-year intelligence plans.

The critical question, then, is, to what extent are these satellite services independent? If the Bulgarians or Cubans are trafficking in drugs, as they are, are the Soviets tied in or responsible? This type of question had bothered US intelligence early on. As explained by the late James Angleton, the legendary head of US counter-intelligence until his organisation was broken up in December 1974: 'Since 1948, we [the CIA and its sister services in Britain, France and West Germany] found sufficient evidence of coordination [among Soviet, Bulgarian, East German, Libyan, Cuban, Hungarian, Romanian and Polish intelligence] over extended periods to satisfy even the sceptics'<sup>41</sup>.

Angleton then identified the two critical aspects of the continued reluctance of US officials to make the connection. 'It may be *politically convenient* to assume that Soviet bloc intelligence services act independently of the Soviet Union, especially when it concerns an assassination, but what we don't really know, or perhaps want to know, is what is the nature of the relationship between the KGB and the other Communist intelligence services?'<sup>42</sup>. 'Politically convenient' is an understatement. Many policymakers simply did not (do not) want to know or admit the relationships between the Soviet and the satellite intelligence services. Admission would restrict policy options, particularly the release of strategically important materials and technology.

The actual nature of the relationship is another significant element of information that has been supplied by Sejna. Soviet control over satellite intelligence organisations was formally established, he explained to me, when the satellite intelligence service chiefs met in secret in Moscow on October 3rd, 1964, and signed an agreement establishing a Warsaw Pact 'integrated intelligence system'. **Under the terms of the agreement, all satellite intelligence activities would be coordinated by Moscow.** All operational plans – the long-range fifteen-year plans, the five-year plans that were coordinated with the five-year funding budget, and the one-year plans – would be approved by the Soviets. The Soviets would determine when satellite services would cooperate on operations and would also coordinate all the activities of the satellite Departments of Special Propaganda. All collected intelligence was to be passed immediately to Moscow and the Soviets would then determine all subsequent distribution. Of special importance for drug and narcotics trafficking, in addition to the requirement for all plans to be approved by the Soviets, was



the stipulation that strategic intelligence agents would be trained in the USSR.

These arrangements provide an illustration of a few of the mechanisms by which the Soviets maintain control of their satellites. Operations such as drug-trafficking, assassinations, and strategic espionage are not undertaken except by Soviet direction. Formulation of the one-, five- and 15-year plans is, overall, among the most important control mechanisms, insofar as all activities are planned well in advance, and even new, 'emergency' actions need to be approved in the same manner as the regular plans before they can be implemented<sup>43</sup>.

Cuban intelligence, which had worked closely with Czechoslovak and other Soviet satellite intelligence services since the early 1960s, was *de facto* incorporated into the integrated intelligence system in 1967, Sejna reported. The one-year intelligence plans were formulated and approved in the fall. It was during this review process in November 1967 that Sejna recognised that the Cuban intelligence plan was not independent but had been incorporated into the Warsaw Pact integrated intelligence system.

As such, then, Cuban operations were coordinated and controlled by the Soviets. Previously, control had been more indirect, provided by the presence of advisers and spies. These are the informal controls that are present within all Marxist-Leninist control structures – the combinations of Soviet advisers and both intelligence and counter-intelligence agents who are covertly positioned at critical places in satellite and surrogate organisations. These people provide both an advisory control and a covert reporting mechanism employed to keep the Soviets informed.

The mechanisms described by Sejna can be seen in operation in the testimony of numerous defectors and other intelligence sources. For example, former Cuban intelligence agents have testified that since about 1970, the Cuban intelligence service has been under the direct control of the Soviets. They have also testified that all plans are sent to the Soviet Union for approval. Cubans and Nicaraguans described the controls over Nicaraguan intelligence in similar terms. Cuban advisers hold key positions and wear uniforms indistinguishable from the Nicaraguans.

There are also some 100 Soviet military security advisers, along with 25 Bulgarians, 40-50 East Germans, 25 PLO specialists and a few Libyans within the Nicaraguan service<sup>44</sup>. Similar controls with respect to the PLO have also been reported. According to the Defense Intelligence Agency [DIA], the Kuwaiti News Agency published a long interview with the PLO's Moscow representative, who said: **'We have a signed a treaty that requires that before we take any kind of serious action, we sit down and discuss it with the Russians and coordinate our activities'**<sup>45</sup>. Senator Alfonse D'Amato (R-NY) cites other US intelligence studies showing that 'the KGB controls most of the operating sections of the DS, which is the Bulgarian secret police. The Soviets have used the Bulgarians as surrogates'. He also cites DEA estimates that 25 percent of the heroin reaching the United States comes through Bulgaria<sup>46</sup>.

These are but a few of the many relevant instances of Soviet control, especially with respect to the East European satellites, but including quasi-satellites and surrogates as well<sup>47</sup>. In some countries where autonomy still exists, for example, Vietnam, Laos and Suriname, there are uncertainties. But insofar as Cuba, Nicaragua, North Korea, Bulgaria, Hungary, Poland, East Germany and Czechoslovakia are concerned, the presumption should be that the Soviets are not only involved, but at least until recently were fully responsible.

The only serious question, then, is why, when the activities of these key Soviet satellite intelligence services are brought out into the open, the behind-the-scenes rôle of the Soviets is rarely discussed? The answer to that question is implicit in the preceding chap-

ter and in the preceding discussion of General Sejna's debriefing process. People simply do not want to know – as Angleton explained, for reasons of 'political convenience'. It would perhaps be reassuring if this were the *only* reason. Unfortunately, that does not appear to be the case. While 'political convenience' is certainly a factor, there also seem to be much more sinister and deadly possibilities at work – possibilities that suggest the need for a detailed investigation into the reasons why General Major Jan Sejna was never debriefed. But who would conduct the investigation? ■

### References to Chapter 10:

1. See for example, the initial debriefings of Golitsyn and Nosenko at the Frankfurt facility, notwithstanding the very important nature of both defectors, in Epstein, *Deception*, *op. cit.*, pages 59, 67. The facility, which is referred to as Westport Station, is described in William R. Corson, Susan B. Trento, and Joseph J. Trento, *Widows* (New York: Crown Publishers, Inc., 1989), pages 167, 415-416.

2. Even the Czechoslovak emigré press, including so-called CIA proprietary operations, was utilised in this smear campaign, which continued for many years.

3. Rank in Communist countries can be misleading. What is important is *position*, not rank. Sejna's rank was General Major, equivalent to a US Brigadier General. In terms of the positions Sejna held, he outranked most four-star generals. In his position as Secretary of the Defence Council, Sejna participated in the annual reviews of all the most sensitive plans: the operations plan, the technical espionage plan, the weapons systems development and acquisition plan, the training program and schedule, the special (secret) budget, the intelligence plan, the materiel and supply plan and the mobilisation plan. He also participated in the review, evaluation, and future planning of deception operations. All these plans were coordinated with Soviet and other Warsaw Pact force planning which gave General Sejna substantial insights into the Soviet counterpart plans. See also *endnote 7*.

4. For example, Sejna was not a Stalinist. Indeed, he was the first Czechoslovak leader openly to denounce Stalinist practices at a meeting of the Central Committee in 1954. His impromptu speech led to the removal of the Minister of Defence, Alexei Cepicka, who was widely feared because of his Stalinist tactics. Sejna was not a public school dropout; the public school was closed when the Germans invaded Czechoslovakia. Sejna did not lead a coup against the new 'Liberal' leadership; he was working against Soviet interference with the developments inside Czechoslovakia.

Indeed, this is what led to his defection. The KGB had learned that Sejna was warning Dubcek about Soviet plans to tighten up (a process that peaked with the invasion in mid-August). His Party committee was denounced in the newspaper *Obrana Lidu* (Defence of the People), the official party newspaper, in a manner that was tantamount to a charge of treason. Sejna recognised immediately that a web intended to trap him was being woven. Later in the morning, a friend warned him that his immunity as a member of the Presidium was to be lifted on Monday, two days hence, so that he could be taken into custody and implicated in black market fraud charges that had been brought against one of Sejna's staff five weeks earlier. From his knowledge of police operations and their ability to manufacture evidence, Sejna knew that if the Secret Police had been told to bring charges and obtain a confession, they would succeed. He defected the next day, Sunday, when he reasoned that the border guards would be least alert. Sejna was not promoted through favouritism. The military units of which he was deputy commander as political commissar consistently achieved the highest merit ratings. Nor was he not liked by his colleagues, who applauded the informal announcement of his promotion to General.

5. 'Czechoslovakia: Tip of the Iceberg', *Newsweek*, March 18, 1968.

6. The commissar is an official of the Communist Party within the military. Consider, for example Henry Kissinger's description of the Party: 'The small group of votaries who arrogate to themselves superior insight into the processes of history derive from this conviction the monomaniacal intensity required to make revolution. But once they are firmly established in power, what is their function? They are not needed to run the government or the economy or the military'.

'They are guardians of a political legitimacy that has long since lost its moral standing as well as its revolutionary élan. They specialise in solving internal crises that their centralised system has created and external crises into which their rigidity tempts them. The Party apparatus duplicates every existing hierarchy without performing any function. Its members are watchdogs lacking criteria, an incubus to enforce order, a smug bastion of privilege inviting corruption and cynicism'. *Years of Upheaval* (New York: Little, Brown and Company, 1982), page 244.

7. Colonel Penkovskiy, who spied for the CIA from April 1961 until his arrest during the Cuban Missile Crisis, referred to the head of the Administrative Organs, General Major Nikolai Mironov, as 'an all powerful tsar and god over the GRU and KGB, one before whom even General Serov [then head of the GRU] stood at attention'. John J. Dziak, *Chekisty: A History of the KGB* (Lexington, Massachusetts: Lexington Books, 1988), page 151.

8. The Defence Council is the highest decision-making party body with authority over defence, national security, intelligence, counter-intelligence, foreign policy, and the economy. It is a far more important organisation than the Politburo.

9. For example, Sejna's debriefers did not understand how socialism worked, as evidenced by their asking him for the names of his family lawyer and family doctor, which do not exist as such in the Communist system.

Nor did they believe that the high quality suit he wore when he defected could have been purchased in Prague. Evidently they were unaware of the special stores available to high-ranking officials. They had only vague knowledge about the existence of the Defence Council and no appreciation of its true function or importance, and no knowledge of how promotions are organised through the system known as nomenclature. Additionally, they had many false impressions of how the system operated – for example, the idea that promotions and positions were generally the result of nepotism and that selection and training were of little importance, a misimpression that still characterises the Western perception of the Soviet system.

10. This point was also recognised by Claire Sterling in *The Terror Network: The Secret War of International Terrorism* (New York: Holt, Rinehart and Winston, 1981), page 290. 'Debriefed at length in Washington, he [General Sejna] had been questioned only about military matters regarding the Soviet and Warsaw Pact armies; terrorism was not a Western worry in 1968, and nobody even asked him about it'. Sejna had identified the rôle of the Soviet Union in international terrorism in roughly 1971 when he was under the control of Angleton's counter-intelligence division, but was not debriefed on the subject. He provided the first detailed information on the subject, in an interview conducted by Michael Ledeen in 1980, and was subsequently debriefed in detail by Defense Intelligence Agency (DIA) analysts. Throughout this process, the CIA officials with responsibility in the area continued attempts to discredit Sejna and his information – which was confirmed by their own most sensitive sources in nearly all respects, and by court testimony taken in Italy.

11. Similar frustrations (debriefings by the Soviet Bloc Division related to trivia rather than to items of importance) are reported by Epstein to be the reason **Major Anatoliy Golitsyn** requested resettlement in Great Britain. Epstein, *Deception*, op. cit.

12. General Sejna brought with him detailed analyses which had been conducted by the Czechoslovak Ministry of Defence of the Czech Air Force, ground forces, personnel management, mobilisation system and Military Intelligence; an analysis of developments in the world and the Warsaw Pact in the future, by the Main Political Administration and Science Administration and, based on these analyses, military policy after the 13th Party Congress; and Presidium analyses of the Czechoslovak economy.

13. The failure to make such information available is, in reality, not unusual. Important material is often not made available to intelligence analysts, and the reason is not security – examples being **Golitsyn** and **Pacepa**. Even worse, false information is often distributed, without the knowledge of the analytical side of the intelligence community, **Penkovskiy** being a case in point.

14. This Soviet plan was transmitted to the East European satellites in 1967 for them to use as the basis for their development of their own coordinated long-range plans. Distribution was tightly controlled. Only two copies were available within Czechoslovakia. Sejna had one copy. It was his responsibility to ensure that the Ministry of Defence's planners received proper instruction and that their work fully complied with the requirements of the Soviet plan.

15. There has been a continuing effort, especially within US policymaking circles, to ridicule the notion of Soviet planning or grand strategy, an awareness and understanding of which is a *sine qua non* for meaningful and relevant strategic analysis. For example, as Henry Kissinger explained: '**I sent the President an analysis of Soviet policy at the end of 1969, which I prepared with the help of Hal Sonnenfeldt and Bill Hyland of my staff. It began by rejecting the proposition that Soviet policy necessarily followed a master plan**'. Henry Kissinger, *White House Years* (Boston, Massachusetts: Little, Brown & Company, 1979), page 161. Hyland was previously a senior CIA analyst. John Ranelagh, *The Agency: The Rise and Decline of the CIA* (New York: Simon and Schuster, 1986), page 509. While what is meant by a 'master plan' is not explained here by Kissinger, the detailed layout of Soviet revolutionary objectives, strategy, tactics and assignments was contained in the 'Long-Range Plan for the Next Ten to Fifteen Years and Beyond' that General Sejna identified to his debriefers.

British counter-intelligence officials debriefed Sejna in 1970 on Soviet strategy in various regions of the world, especially Europe. **One of the areas they concentrated on was the ease with which Czechoslovak and Soviet intelligence services had penetrated the British Labour Party and UK Government structures – particularly the Foreign Office, the Colonial Office and the intelligence services.** A copy of their write-up of Sejna's data was provided to US counter-intelligence. The regions that received the least attention in the British debriefings were the United States and Latin America. Yet there was no CIA counter-intelligence attempt to follow up and extend this work for the United States and Latin America. This was the only analysis that dealt with the Soviet long-range plan, but it did not begin to cover the important objective and policy objectives element of the plan. A project to debrief General Sejna on the whole plan was begun in 1978 under Dr Gene Durbin, in the US Defense Department's Office of Net Assessment. Dr Durbin left the office shortly after the project was started. After the first section of the plan, the political objectives element, had been completed, the funding was cut off and the project terminated.

*Editor's Note:* A detailed summary of the long-range plan as described by General Sejna diverges, but is nevertheless paradoxically dialectically complementary to, the long-range plan as unfolded by Anatoliy Golitsyn in his two books, *New Lies for Old* and *The Perestroika Deception* (op. cit.). However Golitsyn's analysis focused primarily upon strategic deception, identified as the core of the plan, and on long-term preparations for the dismantling of the Stalinist model of control ahead of its replacement, following Gorbachëv's *perestroika* (meaning *reformation*, as in a *military formation*), by an upgraded and revitalised Leninist model of global revolution. By contrast, Sejna's long-range strategy was plainly formulated within a neo-Stalinist framework, even though Sejna himself denounced Stalinism. This suggests that – as would be expected among Leninists, for whom the dialectical *modus operandi*, or dualism, is routine practice – the coexistence of two or more long-range strategic plans. They would not have been intended to be, nor would they have been conceived as being, mutually exclusive. While General Sejna's version has been superseded, the 'general line' (strategy) remains unchanged.

16. Lord Chalfont's articles in *The Times* (London) were: 'Moscow's Brutal Reality' (July 28, 1975); 'How Israel Fits into the Jigsaw of Soviet Power' (August 4, 1975); and 'How Britain's Economic Difficulties Help the Soviet Grand Strategy' (September 1, 1975).

17. Walter Hahn, 'A Soviet Game-Plan?', *Strategic Review*, Spring 1983.

18. As explained by Aleksandr Yakovlev, chairman of the Foreign Commission of the Central Committee of the CPSU and a top adviser to President Gorbachëv, on November 18, 1988, with reference to *glasnost*, **there was to be no change in the basic values and strategic aims and intentions of Soviet foreign policy. Only the tactics were to be changed.** 'USSR's Yakovlev Answers Questions in Prague', FBIS-EEU-88224, November 21, 1988, page 11.

19. In 1988, the Politburo must have reversed their decision, insofar as the Czechoslovak Party newspaper began referring to him as General Sejna once again.

20. The United States is unique in this respect. During the early 1970s, Sejna was permitted to travel abroad to discuss his knowledge of Soviet strategy with officials of friendly foreign countries, where he met and exchanged views with many high-ranking officials. In all instances, where there was operational knowledge, it confirmed what General Sejna had to say.

21. After every change in the Soviet leadership, there is an attempt in the West to identify change in the Soviet Union/former Soviet Union. As Harriet Fast Scott and William F. Scott explained in *Soviet Military Doctrine: Continuity, Formulation and Dissemination* (Boulder, Colorado: Westview Press, 1988), page 47: 'Khrushchev's ouster in 1964 had been greeted with a sigh of relief. It was felt that Brezhnev was more sensible and reasonable. Therefore, when the third edition of *Military Strategy* appeared in 1968, very little changed from earlier editions, this was not welcomed abroad by those seeking an arms control agreement with Moscow'. As an example of how this book was handled, consider the following passage in a letter dated September 11, 1968 from CIA deputy director Vice Admiral Rufus L. Taylor to the Commander of the Air Force Foreign Technology Headquarters: 'I have browsed through it [the book] and found parts of it to be of some interest. Our people, as do I, have mixed feelings about the validity and influence of him [Marshal V. D. Sokolovskiy] in Soviet military circles'. At the time, Ambassador Thompson was one of the leading proponents of the changes taking place in the Soviet Union. He was also, on directions received earlier from Secretary of Defence McNamara, engaged in arms control talks with the Soviets on ballistic missile defence in an attempt to head off US deployment of an anti-ballistic missile defence system. Phyllis Schlafly and Chester Ward, *Kissinger on the Couch* (New Rochelle, New York: Arlington House, 1975), page 315. Thompson died on 6th February 1972.

22. It is startling, to an outsider, how many Czechoslovak emigrés or defectors (at least four, according to my count) were enabled by the CIA to interact with Sejna and assist him in various phases of his debriefings and relocations. My concern is the difficulty in establishing *bona fides* beyond a doubt, especially given the evident ease with which trained Communist agents can pass the CIA polygraph. In general, defectors are reluctant to interact with other defectors for this very reason. In the late 1970s the FBI identified a Czechoslovak defector, Karl F. Koehler, as a Czechoslovak intelligence service officer who had penetrated the CIA.

Koehler passed the CIA polygraph, was hired by the CIA, and assigned to the Operations Directorate to translate cables from agents, an extremely sensitive assignment. Another example of a defector with an extremely sensitive assignment was Paul Bellin – a Soviet defector, who became a CIA polygraph examiner! Corson, Trento and Trento, *Widows*, *op. cit.*, pages 48-49, 125. See also Ronald Kessler, *Moscow Station* (New York: Charles Scribner's Sons, 1989, page 195). While the CIA is notorious for its mishandling of defectors (that is, treating them like dirt), it is clear that this is not a consistent policy and, indeed, that some defectors are given inside jobs of the highest sensitivity.

23. Richard Eder, 'Anti-Dubcek Role Denied by General Who Flew Prague', *New York Times*, August 26, 1968, and 'Sejna Says Novotny's Errors Led to Liberalisation in Prague', *New York Times*, August 28, 1968. It was a Defence Intelligence Agency (DIA) employee, not the CIA, who brought the articles to Sejna's attention, translated them for him, and then helped Sejna call Eder and complain about the articles.

24. At the same time, if one wanted to perform a general debriefing outside the normal debriefing process, that is, without any follow-up questions and without the material finding its way into the Intelligence Reports that are produced during the debriefing process, this might be an excellent approach. The basic concept of having a defector write down a detailed history of his activities as an integral part of the debriefing process is a normal and excellent technique, but this does not appear to have been the approach in the case of Sejna.

25. The *Reader's Digest* was also used by the CIA to provide a mechanism for the Soviet defector Yuri Nosenko to 'tell his story' about Lee Harvey Oswald and the Kennedy assassination. In this case, the *Reader's Digest* proposed the book idea to Edward Jay Epstein, and offered to put him in contact with Nosenko in 1976. Nosenko had been the focus of a major dispute within the CIA. His *bona fides* were not established, at least not until after Angleton's counter-intelligence organisation was broken up. As Epstein described the situation, almost every intelligence official involved with the Nosenko case had his career wrecked. Epstein, *Deception*, *op. cit.*, page 62.

26. General Jan Sejna, 'Russia Plotted the Pueblo Affair', *Reader's Digest*, July 1969.

27. *Ibid.*, page 75.

28. Epstein, *Deception*, *op. cit.*, page 282.

29. In roughly 1962, Czechoslovakia signed an agreement with North Korea to provide North Korea with technology and intelligence in return for North Korea serving as a transit point for the covert movement of people to Eastern Europe.

30. The individual identified as making the suggestion was Colonel Karel Borsky, who, as identified in Chapter 2, was the Zs chief in charge of the drug-trafficking training centres. See pages 27 and 31.

31. He also asked Sejna to misrepresent certain aspects concerning Soviet deception planning so that

Angleton would find the information more acceptable. Sejna refused to compromise his integrity in this and other similar episodes.

32. See, for example, Epstein, *Deception*, *op. cit.*, pages 70-74.

33. Vladimir Sakharov, *High Treason* (New York: Ballantine Books, 1980).

34. Lt. General Ion Mihai Pacepa, *Red Horizons: Chronicles of a Communist Spy Chief* (Washington, D.C.: Regnery Gateway, 1987).

35. David B. Funderburk, *Pinstripes and Reds: An American Ambassador Caught Between the State Department and the Romanian Communists, 1981-85* (Washington, D.C.: Selous Foundation Press, 1987).

36. *Ibid.*, page 46.

37. For example, areas on which General Sejna had detailed knowledge that I am personally aware of and on which, with a few notable exceptions, there was no systematic effort to debrief him include:

- Organisation, rôle, and function of the Defence Council.
- Penetration of foreign governments and bourgeois political parties, notably the Social Democrats.
- Soviet interests in hiding missile development/deployment.
- Methods of covert military research and development.
- Mobilisation mechanisms and planning.
- Use of terrorism in revolutionary war strategy.
- Training of international terrorists.
- Soviet Bloc strategy for penetrating/using organised crime.
- Details of Soviet long-range strategy.
- Mechanism for development and use of 1-, 5- and 15-year plans.
- Peaceful coexistence deception strategy.
- Military technology requirements and acquisition process.
- Details on intelligence planning and plans.
- Soviet Bloc infiltration and use of Western news media.
- Soviet Defence Council policy and directives on use of news media.
- Intelligence penetration of religions and financial institutions.
- Training, organisation and use of special operations forces.
- Soviet Bloc sabotage networks in Europe and war plans.
- Principles for the recruitment of the Western élite.
- Intelligence penetration of the French Government.
- Intelligence penetration of NATO structures.
- Rôle and importance of operational ideology.
- Communist control and discipline process.
- Secrecy in economic planning and the nature of the budget process.
- Soviet narcotics trafficking strategy.
- Special propaganda employed against military and civilians.
- Special analytical teams within departments and ministries.
- Coordination of civilian and military intelligence operations.
- Deception and *maskirovka* organisation and oversight.
- Organisation and operations of strategic intelligence agents.
- Organisation and rôle of Special Propaganda organs.
- Rôle and function of key Central Committee Departments.
- Errors in clandestinely obtained 'Soviet' documents.
- Hierarchical organisation of deception and its oversight.
- Formulation of deception and management of constituent parts.
- Operations of foreign intelligence services (both Communist and non-Communist).
- Maintenance of smuggling routes and preparations for sabotage.

38. Chapman Pincher, *The Secret Offensive* (New York: St. Martin's Press, 1985), pages 32-55.

39. Roy Godson, editor, *Intelligence Requirement for the 1990s* (Lexington, Massachusetts: Lexington Books, 1988), page 153. For an especially revealing account of the extent of security problems throughout the US Government, particularly the Department of State, see William J. Gill, *The Ordeal of Otto Otepka* (New Rochelle, New York: Arlington House, 1969).

40. Michael Hedges, 'Customs Chief Blasts Just About Everybody', *Washington Times*, July 28, 1989, page A10.

41. Epstein, *Deception*, *op. cit.*, page 290.

42. *Ibid.*, page 282.

43. For a more extensive discussion of planning and emergency decisions, see Jan Sejna and Joseph D. Douglass, Jr., *Decision-Making in Communist Countries: An Inside View* (Cambridge, Massachusetts and Washington, D.C.: Institute for Foreign Policy Analyses and Pergamon-Brassey's, 1986).

44. *Writers and Speakers for Freedom*, Nov/Dec. 1987, page 5, citing interview with Miguel Bolanos, a former official from Nicaraguan intelligence, at the Heritage Foundation, June 16-17, 1986.

45. Workman, *International Drug-trafficking*, *op. cit.*, page C3, citing a DIA report, *The International Terrorist Network*, *op. cit.*

46. Peter Samuel, 'State Dept. Said to Slight Drug Enforcement to Preserve Détente', *New York City Tribune*, April 7, 1989, page A3.

47. See, for example, Chapman Pincher, *The Secret Offensive* (New York: St. Martin's Press, 1985). Also, with respect to Poland, see Corson, Trento and Trento, *Widows*, *op. cit.*, page 172.

# FIXING THE RESPONSIBILITY

The US drug scourge has been blamed on social unrest, unemployment, capitalist decadence, and the traffickers' lust for profits, which are most readily available in the United States. The drug plague is a demand problem, officials from the producing nations claim<sup>1</sup>. If it were not for demand, there would be no plague. But, is this correct, or is the supply side of the equation equally, if not more, to blame? Consider a few 'coincidences'.

Two sources of data assembled during the early 1970s show the growth in narcotics-related deaths and addiction in New York and San Francisco. *Figure 4* below summarises recorded deaths from drug abuse in New York City in successive years between 1930 and 1969. *Figure 5* on page 135 gives details of addicts in the Haight-Ashbury subculture in San Francisco covering the years 1935-68. The consequences of the controlled launch of the narcotics war against the West are immediately apparent.

Both series show a precipitous jump in 1949-50, which is precisely when the Communist Chinese international narcotics trafficking strategy was organised and launched.

YEAR	Reported deaths	YEAR	Reported deaths
1930	23	1950	56
1931	29	1951	77
1932	22	1952	82
1933	25	1953	75
1934	23	1954	86
1935	12	1955	82
1936	13	1956	109
1937	30	1957	86
1938	17	1958	84
1939	26	1959	76
1940	27	1960	126
1941	16	1961	275
1942	24	1962	236
1943	12	1963	342
1944	17	1964	264
1945	0	1965	195
1946	11	1966	262
1947	19	1967	490
1948	18	1968	519
1949	32	1969	689

**Figure 4:** Historical data on drug-dependent deaths in New York City, 1930-69<sup>2</sup>.

Which is the cause – supply or demand – and which is the effect? Both data also show a massive exponential rise beginning in about 1960, which is when the Chinese operation was intensified and when the Soviet narcotics trafficking operation commenced. This massive rise is not a unique US phenomenon. In Great Britain, heroin addicts were few in number between 1930 and 1960. Then after 1960, the situation suddenly became unmanageable<sup>3</sup>. Nor are these growth rates due to the alienation of youth during the Vietnam War. They *preceded* the Vietnam War reaction. The surge began during the Kennedy Administration, which, if anything, was an uplifting period in American politics. The sharp rise cannot be explained as simply the result of increased demand. It appears to have been more the result of increased supply, as well as of the associated Soviet and Chinese marketing techniques that were designed to **create demand**.

As noted earlier, what has been happening is also remarkably evident in data from Southeast Asia and Europe in the early 1970s. In both cases there was a surge in drug addiction among US servicemen. The reaction of the American military was at first to deny that there was a problem, and then to blame the drug crisis on the poor quality of recruits. But there is little question what caused the increase. It was due to a mammoth increase in the **supply** of drugs, high-pressure marketing techniques, and ultra-low prices.

The prices were artificially depressed and the availability of drugs was maximised. Prostitutes were used to push drugs on unsuspecting servicemen. Addiction was covertly increased by mixing opium and heroin in with drugs that were not considered addictive, such as marijuana. Cartons of cigarettes and 'reefers' laced with narcotics were given away free to American troops. Heroin was sold as cocaine, which at the time was not considered addictive.

This represented blatant political warfare directed against the youth of the United States. The source of the problem was not weak-willed American youth, dissatisfaction with society, or some other muddled explanation. There may have been some of that, there always is. But that was not **the cause**. The cause was a massive supply of cheap drugs and a system dedicated to pushing these drugs among the American military. These Soviet and Chinese operations were immensely successful.

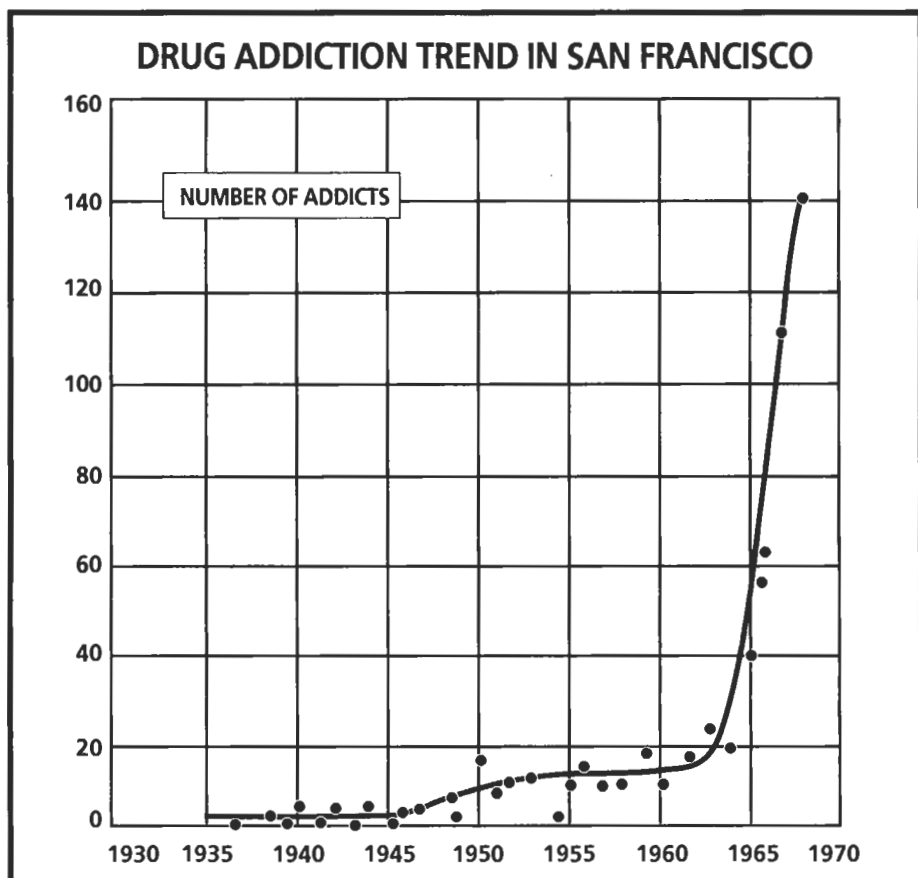
This historical evidence is exceedingly important. What has been happening in America has been explained as the result of American social decay, a growing decadence. America was to blame. This was just one dimension of an important propaganda and disinformation campaign designed to cause Americans, and the rest of the world, to lose faith in America and in the American way of life. These propaganda campaigns are part of a massive influence operation on which the Soviets have been spending over \$3 billion per year since the late 1950s<sup>4</sup>. There is no question that American society is far from perfect. It has many faults, but it is much better than any existing alternatives. This is why the Soviets work so hard to tear it down. It is time for Americans and our friends and neighbours to recognise what is happening. The massive growth in drug use in the various free societies is not the result of internal decay in those societies. Nothing could be further from the truth, and until we face the truth, an effective strategy to combat the drug offensive is unlikely to be developed.

It is also possible to relate what has been taking place in the United States with the historical data presented above. There has been a steady increase in US drug interdiction activity and an ever-increasing quantity of drug seizures, especially of cocaine. Yet simultaneously, the flow of cocaine has increased, the quality has improved, and the price has

decreased. Is this effect just the result of an oversupply and trafficking competition? Or, might the tempo of the political war against the United States have been accelerated, speeded up in part, perhaps, to cause the United States to believe the war on drugs is a lost cause?

Perhaps the greatest 'coincidences' are the manner in which the trafficking has grown almost precisely as identified in the Soviet studies, and in accordance with Soviet strategy. Are the Soviets merely tremendously prescient, or has the trafficking that the United States and many other countries have been subjected to been heavily influenced by Soviet Bloc intelligence operations, assisted and abetted by coordinated propaganda and disinformation activity<sup>5</sup>?

Consider the fact that the primary countries involved in trafficking in the 1980s were the initial Latin American and Caribbean targets in the Soviet drug strategy of the early 1960s: Cuba, Panama, Colombia, Mexico, Haiti, Jamaica, and most recently, Argentina. Or consider the fact that the vast majority of the drug dealers operating in the United States are minorities – Haitians, Jamaicans, Cubans, Colombians and Black people – most of whom General Sejna identified as having been priority Soviet revolutionary war targets –



**Figure 5:** Drug addiction in a district of San Francisco: The number of addicts in the Haight-Ashbury subculture who first used heroin, as a function of the year <sup>6</sup>.



and, to a lesser extent, organised crime, also a high-priority Soviet Bloc target since 1956.

The three top Soviet political targets in South and Central America that have been identified by defectors and are singled out in Soviet literature are Mexico, Argentina and Brazil. Mexico is now in deep trouble, and the drug trade is a critical factor. Argentina is a growing source of drugs and Brazil, according to Diego Cordoba, a lawyer for the Medellín Cartel, will replace Colombia as the largest exporter of drugs within the next three years<sup>7</sup>.

Mexico has become one of the most fragile Latin American countries because of its drug-associated destabilisation potential. Might this development reflect the Cuban-Czechoslovak '**Rhine**' and Soviet-Czechoslovak '**Full Moon**' operations? And what about the operational tactics observed with respect to the Cuban, Haitian, Colombian and Jamaican operations in the United States, and which seem to mirror-image the push-pull tactics of the '**Full Moon**' operation. Is all this strictly coincidence?

Jamaica is an especially interesting case. When Michael Manley was Prime Minister of Jamaica, from 1972 to 1980, Jamaica almost became a client state of Cuba. By 1973, Manley was recruiting Jamaicans to go to Cuba for training in guerrilla warfare<sup>8</sup> and Jamaica was being openly used for drug-trafficking into the United States. The appearance of Jamaican gangs (known as '*posses*') is thought to have evolved around 1974. The well-organised Jamaican gangs like the Raetown Boys and the Dunkirk Boys are believed to have arrived in New York City in 1976. Originally organised for violence and terror, the *posses* switched from being 'hitmen' and extortionists to traffickers in crack cocaine in 1986<sup>9</sup>. Is it strictly coincidence that Jamaicans and Haitians are so prominent in the crack distribution and marketing networks today? Is it just coincidence that Marxist Mexican guerrillas are heavily involved in the guns-for-drugs trade?

As discussed in Chapter 3, Guadeloupe was the centre of a Caribbean drug operation conceived by the Second Secretary of the French Communist Party and the First Secretary of the Communist Party of Guadeloupe. With their assistance, it was placed in operation in the mid-1960s – and run by two French-speaking Czechoslovak intelligence agents.

In 1987, a private US security specialist was hired by several Europeans who had significant investments in St. Vincent, south of Guadeloupe in the Grenadines, to eliminate problems caused by local terrorists that their staff in St. Vincent had been experiencing. The security specialist soon learned that drugs were plentiful throughout the Grenadines. Marijuana was a major crop on St. Vincent, and production there was controlled by the Rastafarians, Communist guerrillas, and local businessmen. The local police were totally corrupted. The islands' marijuana production was sold to the 'French' who dominated the inter-island sea transportation. Also in prominent were representatives of the Grenada-based New Jewel Movement, subsequently 'decapitated' by invading US forces.

The Communist guerrillas were the terrorists. Their objective seemed to be to drive local businessmen off the island. They were supplied with guns and ammunition by inter-island steamers. One night the specialist, who was operating under cover, infiltrated a group of twenty-five 'merchantmen' from a ship who came ashore for dinner and entertainment. Most of them were young Cubans; about ten percent were older Soviets.

The ship travelled from island to island supplying terrorists. Guns and ammunition were sealed in plastic and then placed in crab traps. This was also the method used to deliver a propaganda magazine, *Oclae*, which was printed in English in Cuba. The terrorists, masquerading as fishermen, would travel out to the various buoys and retrieve their supplies from the crab traps. Marijuana and other drugs were used to finance their operations. As the security specialist learned shortly before his departure, 'French' control of

distribution was not recent, but extended back into the 1960s. Another coincidence?

Is it mere coincidence that the language used by many of the drug operators from Colombia, Cuba, Mexico, Nicaragua and Panama – for example, that drugs are ‘a revolutionary means of struggle against imperialism’<sup>10</sup> – is impregnated with Marxist-Leninist phrases and concepts? And who deserves the responsibility for the non-Communist criminals who were trained at drug-trafficking ‘academies’ in the Soviet Union, Czechoslovakia, Bulgaria, East Germany and other Soviet surrogate states? The output of those schools – trained criminals – based on the Czechoslovak model and assuming no expansion or contraction, would be over 600 per year between 1970 and 1990. That adds up to over 12,000 non-Communist ‘graduates’, and another 12,000 non-Soviet Bloc Communist ‘graduates’. Those totals do not include the Cuban and East European intelligence services’ operations throughout Latin America and the rest of the world which were not connected with the drug-trafficking training centres.

Is it only paranoia that led Ramon Rodriguez to be concerned about DGI infiltration of the Medellín Cartel and to respond ‘Absolutely!’ when asked if Cuba had infiltrated the drug community?<sup>11</sup> During the campaign by Colombia to crack down on drug dealers following the assassination of a presidential candidate, Luís Carlos Galán, on August 19, 1989, thousands of suspected traffickers were arrested. In one sweep of Medellín, 27 Cubans were seized. They carried forged Costa Rican passports<sup>12</sup>. What were they doing in Colombia’s drug capital? Were they on vacation?

Or consider the manner in which numerous sources have reported statements made to them by high-level Communist officials on the deliberate use of drugs against the United States by the Communist countries. Some of the many such statements which appear at various places in this text are assembled in *Figure 6*, on page 138.

The rationale and strategy associated with drug-trafficking operations are logical and consistent with the first principles of Marxist-Leninist doctrine. The operations conform with informal statements made by many high-echelon officials who were involved and who come from a wide variety of countries – Colombia, Nicaragua, Panama, Cuba, Czechoslovakia, China, Romania and Bulgaria.

It should be clear that Chinese and Soviet drug-trafficking strategies have been primary forces behind the US (and of course the global) drug offensive. In 1967, Sejna reported, the Soviets estimated that they (that is, they or their satellites) were in control of 37 percent of drug output then being supplied to the United States and Canada, and that this figure would be expanded by up to 13 percent each year. In terms of distribution and sales within the United States and Canada, the figure was lower – at 31 percent. By ‘control’ was meant that the people they had trained had a hand in running the operation and the Soviets were receiving a cut of the profits.

Just as the original edition of this book was going to press, fresh intelligence surfaced that North Korean officials had directed farmers in a central province to grow marijuana [in the summer of 1989]<sup>13</sup>. North Korean intelligence, with its strong links to Soviet intelligence as set forth in Chapter 10, is certainly involved. But even more interestingly, the arrest of the former East German Communist leader, Erich Honecker, has led to information concerning vast amounts of ‘illegal’ money earned through bribes, gun-running and drugs. East German State Security, well known to have been directly controlled from Moscow, was implicated. The few details that have leaked out have simply identified cocaine transshipments from Latin America through Rostock Harbour in East Germany

**OVERT COMMUNIST WORLD REVOLUTIONARY STATEMENTS  
ON THE SUBVERSIVE VALUE OF THE GLOBAL NARCOTICS OFFENSIVE**

Opium should be regarded as a powerful weapon. It has been employed by imperialists against us, and now we should use it against them. Such warfare can be called chemical warfare by indigenous methods.

**MAO TSE-TUNG, 1935.**

We will disarm the capitalists with the things they like to taste.

**CHOU EN-LAI, 1958.**

Anything that speeds the destruction of capitalism is moral.

**NIKITA KHRUSHCHEV, 1962.**

Deception and drugs are our first two strategic echelons in the war with capitalism.

**NIKITA KHRUSHCHEV, 1963.**

The United States is the main target because they are our worst enemy; it is simple to move drugs into the United States; and, there is an unlimited supply of money there. **TODOR ZHIVKOV, First Secretary, Communist Party of Bulgaria, 1964**

We are growing the very best poppies for the US servicemen.

**CHOU EN-LAI, 1965**

Drugs will be a decisive weapon in disrupting the fabric of Western democracies.

**RAUL CASTRO, Late 1960s**

The goal is to hurt the United States full with drugs.

**FERNANDO RAVELO-RENEO, Cuban Ambassador to Colombia 1978.**

I was ordered to load up the United States with drugs.

**MARIO ESTEVEZ GONZALEZ, Cuban intelligence agent 1981.**

Drugs were used as political weapons.

The target was the youth of the United States.

**ANTONIO FARACH, High-level Nicaraguan official 1984.**

Drugs are the best way to destroy the United States.

**GENERAL BARREIRO, Chief of Cuban Intelligence 1987.**

The trafficking is a way of waging war on the United States.

It also provides a profit.

**HUMBERTO ORTEGA, Nicaraguan Minister of Defence 1987.**

Drugs are considered to be the best way to destroy the United States... by undermining the will of American youth, the enemy is destroyed without firing one bullet.

**MAJOR JUAN RODRIGUEZ, Cuban intelligence officer 1988.**

**Figure 6: Representative statements by top overt Communists on narcotics trafficking.**

to East Berlin and thence by courier to West Germany<sup>14</sup>. Earlier data had linked East Germany to a heroin smuggling operation that ran through Mexico into the United States<sup>15</sup>. How much of the East German operation will have surfaced as a result of ongoing debriefings of former high-ranking officials believed to have been involved, remains to be seen. But the politics of reunification took precedence over all other matters, including exposing the details on another Moscow-directed drug-trafficking operation.

But what direct evidence is there? People continue to ask. Are the Soviets still involved today? Perhaps the critical question is: what amount of 'evidence' is adequate? What volume of 'evidence' would it take to change the behaviour and attitudes of US Government officials towards the drug offensive and its sponsors?

What is happening is best described by resorting to a fictional scenario. Suppose, for example, that tomorrow the Soviet General Secretary appeared before the Supreme Soviet in a special open session. He states with obvious displeasure that he has just learned about Soviet intelligence involvement in international drug-trafficking. The operation, he explains, was a carryover from the days of Khrushchev and Brezhnev which continued on its own momentum. Then, after severe criticism of both Khrushchev and Brezhnev, he states that as soon as he had become aware of this operation, he had ordered the activity to be halted and everyone responsible to be identified and disciplined.

What would be the American response? While many variants are possible, I submit that the most likely response of the US leadership would be to breathe a sigh of relief and praise the Soviet leadership for their courage in bringing this matter to the attention of all the peoples of the world and for Moscow's rapid response in curtailing such activities. The news media would probably use the announcement to further bolster the General Secretary's image as a statesman. A new round of articles on the significant changes taking place in the Soviet Union would follow.

Now, this is precisely what *did* happen in 1956 following Khrushchev's famous February denouncement of the crimes of Stalin. That partial public confession was part of a larger deception the purpose of which was to convince the West that the Soviets were changing their ways. Through a controlled revelation of Stalin's crimes, the blame for the past could be left on Stalin's shoulders. Of special relevance here was the fact that the information on Stalin's crimes was nothing new. Indeed, a book which had presented even more detail on Stalin's crimes than revealed by Khrushchev, who of course had participated in them, had been published in the United States two years earlier; but no-one in the news media or in the US Government had paid the slightest attention to this anti-Stalin slander until Khrushchev proclaimed it from the pulpit. Then, all of a sudden, the attention of the press was directed towards the new, reformed Soviet Union – exactly as planned.

Or, to suggest a further possibility, suppose another defector with detailed knowledge of Soviet and Chinese drug-trafficking operations were to seek political asylum in the United States. What would happen?

It is unlikely that the defector would ever be debriefed on Soviet and Chinese drug-trafficking, at least not for several months. If and when such debriefing did take place, what would happen to the data? More likely than not it would end up in one of the thousands of classified IRs (intelligence reports) and never see the light of day. Should the information somehow emerge, the most likely response of US officials would be to ask the Communist leaders for an explanation. Naturally, they would be told that the information was false – a provocation by an unreliable defector who could not be trusted – and they would be reassured that no such activities had ever been sanctioned.

To the extent there was any such activity, the Soviets or Chinese would probably indicate that rogue intelligence activities were always possible, as the United States learned during the Vietnam period (when a veiled threat had emerged concerning reported CIA drug-trafficking activities), and that they would check to make certain that no such independent endeavours were in place. US officials would then explain, in response to questions raised about the defector's testimony, that they had queried the heads of the accused countries and had been reassured that there were no such activities as described by the defector. Again, this is not completely hypothetical. That was exactly what took place following reports on the involvement of such countries as Cuba, Nicaragua, China and Bulgaria<sup>16</sup>.

Also relevant here is the situation prevailing 1968. A source of the highest credibility, Jan Sejna, has described in detail the major involvement of the Soviets and Chinese in drug-trafficking, right up until the day he left Czechoslovakia in February 1968. Yet we had no 'evidence' of the Soviet operation at that time, or of the involvement of Moscow's East European satellites, aside from Bulgaria. **That is, the absence of information, which is the current US Government response to questions about Soviet or Chinese involvement, only indicates that Chinese or Soviet operational security is very good, or that US intelligence is deficient, or that data are not being examined, or are being suppressed, or some combination of the foregoing.**

While Sejna is an especially unique source, it is clear that he is not the *only* source. During the five years to 1990, for instance, data and other source testimony were forthcoming linking almost every Communist country to drug-trafficking. These data generally indicate official involvement of governments, rather than the independent dealings of a few corrupt public officials. In the case of Cuba, for example, it is not just one or two officials. Ten or more high-level officials have been identified, and there is the active assistance of military units of all three services, the involvement of the Cuban intelligence service, and the involvement of Cuban counter-intelligence. To suggest that Cuba merely 'facilitates' the trafficking or 'condones' it, is blatantly to close one's eyes to what is happening. To accept Cuba's arrest, trial and execution on July 14, 1989 of General Arnaldo Ochoa Sanchez [see page 1], Colonel Antonio de la Guardia Font, Major Amado Pardon Trujillo and Captain Jorge Martinez Valdes – and the jailing of other Cuban officials for drug-trafficking<sup>17</sup> – as indicative of Cuba's non-involvement with drug-trafficking, or interest in curtailing drug operations, is the height of gullibility.

By contrast, in the case of the non-Communist countries that play host to various drug-trafficking activities – for example, the Bahamas, Colombia, Bolivia and Peru – the data generally indicate official corruption, but drug-trafficking organisations that are non-governmental. The one country that seems to be 'in between' is Mexico, which is so corrupt that it is difficult to imagine that the Government is not involved. Recall Senator Alfonse D'Amato's (R-NY) observation: 'That country is seething with revolution and has been really totally captured, whether we want to admit it or not, totally by the drug forces'<sup>18</sup>. In the past year or two, there has been an increase in Mexican anti-drug-trafficking activities. However, given the continuing lack of cooperation<sup>19</sup> and continuing production<sup>20</sup> in, and flow of drugs through, Mexico, it would seem that certain highly publicised activities may well be just another example of efforts undertaken and publicised mainly for the 'benefit' of the United States: To conclude that there is any real effort by Mexican officials to curtail the illegal drug trade is, at the time of writing, at best premature.

Soviet, Marxist and Maoist terrorist revolutionaries are involved in drug-trafficking

in all regions of the globe. Certainly, there are numerous non-Communist drug-traffickers. Even some apparently non-Marxist 'freedom-fighter' resistance movements, notably the Contras in Nicaragua, were evidently tempted to use drugs as a weapon or source of money, as well. There is no denying that; but this seems to be a rather minor element of the problem and should not be allowed to detract attention from the rôle of China, the Soviet Bloc countries, and the Marxist and Maoist guerrillas and terrorists. On the contrary, the participation of such groups serves the Communists just fine, since it confuses the overall picture, enhances 'deniability' and helps to divert attention from their far more intensive activities, while providing a ready source of propaganda ammunition for disinformation purposes.

An interesting example of one Soviet recruitment technique using drugs was contained in an affidavit by Nelson Mantilla-Rey, filed in support of his application for political asylum. Mantilla is a Colombian who was awarded a scholarship to study medicine in the Soviet Union. He described how he and a classmate, Rafay Mehdi, gradually came under the watchful eye of a counsellor, who introduced them to black market activities to earn extra money, and who also used them to collect information on various individuals and situations during vacations. The counsellor further displayed considerable power when Mantilla or Mehdi got into trouble with the police or college authorities – a revelation which led Mantilla and Mehdi to give him the nickname 'Angel'. They eventually concluded that Angel was in reality a KGB officer and that they were being recruited. One of the paragraphs in the affidavit is significant:

'32. In the summer of 1982, Rafay came with me to Colombia. Angel suggested that we should buy drugs in Colombia, telling us that he had contacts in the Colombian airport and could set something up. He suggested that we could sell the drugs to the American soldiers we had seen on the bases in West Germany and that we could make a lot of money for ourselves. This was the first time we refused to do what Angel asked of us. We said selling jeans was commerce, but selling drugs was causing harm, and that we were doctors and could not participate in such a thing. He did not get angry and dropped the subject. He then asked us to contact some of the former Colombian students who had studied in the Soviet Union, to find out what they were doing and to check on their addresses, explaining that it would be interesting to know what had happened to all these students after they left the Soviet Union. We agreed to do that'<sup>21</sup>.

He also reported on his attempts to interest the US Embassy in the way in which Third World students were brainwashed and recruited, and was told that US officials were not interested in what he had to say. They were only interested in military secrets, not in long-term indoctrination [recruitment] programs. Upon his return to Colombia after graduation, he began receiving phone calls from other students who had studied in the Soviet Union and who encouraged him to join their political group.

One advised him not to worry about the trouble he was having finding a job; 'former students who were Soviet sympathisers were getting into positions of power and the network was spreading', he was told.

The purpose of this book is not, of course, to go to the extreme of placing 100% of the blame for the global drugs pandemic upon the Chinese or Soviet Bloc intelligence services. Nor can anyone say how effective their operation has been. If those services controlled 31 to 37 percent of the North American market in 1967, which was what the Soviet

estimate of their market share was at that time, what percentage might they control today?

The problem of assigning responsibility is especially difficult in the case of 'crack'. Crack is a highly potent form of cocaine which is smoked. It enters the blood-stream through the lungs and proceeds immediately to the brain. It can be almost instantly addictive, gives the user a sense of self-confidence and superiority, and is closely linked with violent behaviour. At the start of 1985, crack usage was virtually unheard of. Exactly when crack first appeared is not precisely known; but it seems to have made its primary *début* in late 1985, just in time for the holidays. By January 1986, crack use was reported in California, New York, Iowa, Maryland, Michigan, Florida, Alabama and Washington State. By June 1986, it was reported throughout the United States<sup>22</sup> and by September it had been reported in Canada, United Kingdom, Finland, Hong Kong, Spain, South Africa, Egypt, India, Mexico, Belize and Brazil<sup>23</sup>.

The spread of crack seems best explained as a consequence of coordinated mass marketing. So, too, is its design. As analysed by M. M. Kirsch<sup>24</sup>, crack was designed for the consumer with \$5 to \$15 to spend. It was designed for the user who is wholly unaware of its devastating effects: 'The market push has been directed at the young and the ignorant'<sup>25</sup>. As the Drug Enforcement Administration reported in 1989, almost four years after crack began its rapid spread, the interstate networks, manufacture and distribution were dominated by Jamaicans, Haitians and US Blacks, and the primary targets were the ethnic minorities in the inner cities, principally the Black people and Hispanics<sup>26</sup>.

Where did crack come from? Who orchestrated its development and its marketing? The drug was priced to match perfectly an unexploited marketing opportunity – people who could not afford an expensive cocaine or heroin habit. It is also interesting to recognise that the characteristics of crack correspond *in all important respects* to the objectives of the Soviet Bloc's drug development program as it existed in the 1960s (described in Chapter 7). The rapid spread of its use did **not** match the 'normal' pattern associated with the introduction of a 'new' drug, such as the California designer drugs of the early 1980s.

Even more significantly, however, the marketing of the drug by Caribbean and US Black people to the inner-city poor, particularly Black people and Hispanics, matches identically the Soviet marketing and distribution strategy developed in the mid-1960s and then placed in operation. Following the development of crack, which evidently took place in the late 1970s or early 1980s, it would then have been a simple task clandestinely to insert instructions for its manufacture into the Latin American trafficking networks over which the Soviets exercise influence, to ensure that there would be nothing linking the new drug with the Soviets. The operation would have been 100 percent effective but with no apparent links (from a US perspective) to the Soviet Union or even to any of its satellite intelligence services, most notably Cuba's intelligence services.

Or, consider the rôle of the majority of the Latin American and North American traffickers. To suggest that they are all Communists, or obeying Communist orders, would be silly. It is a fair assumption that most of the traffickers and their collaborators are not Communists. For the most part, they are only pursuing profits without any regard for the consequences of their actions. But, how many of them were trained in a drug-trafficking camp located in the Soviet Bloc? Is there a connection between these training schools and the drug-trafficking schools in Colombia<sup>27</sup>? And how many of the traffickers are simply pawns in a larger game whose dimensions they do not understand? In drug-trafficking, many people are used – and being used *without asking questions* is accepted as part of the cost of doing business. Curiosity is known to be a fatal disease.

How they are being used and by whom, most of the traffickers do not know, nor necessarily care. Very few people really know, as few as possible, which is very few. This is the whole objective of narcotics operational security as developed by the Soviets in the late 1950s, and as described in Chapters 3 and 4 of this book. This is also why the testimony of the few people who did know what was happening is so important.

The bottom line is that there is no way to measure the extent or effectiveness of the Soviet and Chinese drug operations, nor is any method of measurement about to be concocted. But, as indicated earlier, the actual extent of the Soviet or Chinese involvement in drug-trafficking is not a primary issue.

The real issue is: **Why is the US Government ignoring this dimension of the drug problem?** Why, especially when it could turn out to be the most important dimension, for the reasons which have been described in previous chapters? Why is the US Government unable or unwilling to recognise political warfare or the continuing duplicity of the Soviet Union? Why is the US Government unable to face up to the rôle of Cuba, Nicaragua and Bulgaria? Why have all Western governments avoided the mass of multi-source data on the Soviet operations to train, equip and finance international terrorists – and then, to make matters worse, have perversely adopted projects to join forces with the worst criminal régime of all, the Soviet Union, to fight terrorism and share intelligence data on terrorism in the process<sup>28</sup>? Why join forces with a nation which organised training camps for terrorists in half a dozen different countries? The issue goes well beyond the Soviet and Chinese involvement in drug-trafficking chronicled in this book.

'Why?' is a hard question to answer with any degree of confidence. Part of the problem may be the manner in which US intelligence is organised, or rather divided; and part may relate to the manner in which the Soviet Union is viewed from Washington. Overseas intelligence generally falls within the purview of the CIA, the State Department and the Department of Defense – and US domestic intelligence, within that of the FBI.

Most Soviet Bloc and Chinese drug operations are located *overseas*, while the US drug problem is perceived as a *domestic* issue. Also, overseas drug production and trafficking organisations are not an *obvious* threat against the United States, so why should the CIA concern itself with drug operations in Haiti, Indonesia, or North Vietnam, or with the TIR customs-facilitating operation in Europe? Drugs are the DEA's responsibility, not the CIA's. Nor could the CIA be anxious to share sensitive source information with the State Department, the DEA, or Customs, when these agencies are negotiating arrangements for sharing intelligence information with the Soviets.

More basic, however, is the fact that the CIA does not collect data for law enforcement; that is, data that can be used as evidence in a court of law. Its rôle is national security, but drug-trafficking is viewed as a *law enforcement* problem. Moreover, as previously explained, Soviet drug operations are handled mainly by surrogates, which further complicates the situation. Law enforcement agencies often do not understand or have access to the data describing the relationships that exist between foreign intelligence services. Nor has it been at all evident, until recently, what has been happening.

Yet, while these considerations are all valid, they are not satisfying because they *still* do not answer why intelligence priorities and drug-trafficking data collection did not change when data on the Soviet Bloc operations began appearing in the open literature, beginning in December 1986<sup>29</sup>. None of the above factors explains the failure to debrief Jan Sejna and the efforts, which continue today [and continued until his death in August 1997 - *Ed.*], to discredit him and what he had to say. *Why do the US authorities not want to know?*



Another part of the problem is Washington's '*détente* view' of the Soviet Union and the world Communist system as a whole. The prevailing [1989 – *Ed.*] view of the 'threat' is that which supports *détente* politics. Only minor recognition is given to the nature of Communism, its goals and objectives, and especially its strategy. At times it almost seems as though the US Government has a death wish<sup>30</sup>. There has been tremendous reluctance to face the nature of the Soviet military threat. People who have described this threat as it is – **a war-planning, war-fighting and war-winning capability** – have been subjected to ridicule and derision. There has been and still is an official reluctance to face the threat of international terrorism and its primary sponsor, the Soviet Union. The intelligence community has avoided the whole concept of a long-range Soviet strategic plan for world domination, even to the extent of not collecting known data that describes the plan, its strategy, tactics and the responsibilities of the various Soviet satellite nations within it.

An especially perceptive description of the general problem Westerners have in understanding the Soviets comes from one of the most famous US-UK spies who provided information on Soviet military activities in the early 1960s, Colonel Oleg Penkovskiy. As explained in *The Penkovskiy Papers*, a work prepared by the CIA based on his information and debriefings:

'One thing must be clearly understood. If someone were to hand to an American general, an English general and a Soviet general the same set of objective facts and scientific data, with instructions that these facts and data must be accepted as unimpeachable, and an analysis made and conclusions drawn on the basis of them, it is possible that the American and the Englishman would reach similar conclusions – I don't know. But the Soviet general would arrive at conclusions which would be radically different from the other two. This is because, first of all, he begins from a completely different set of basic premises and preconceived ideas, namely, the Marxian concepts of the structure of society and the course of history. Second, the logical process in his mind is totally unlike that of his Western counterparts, because he uses Marxist dialectics, whereas they will use some form of deductive reasoning. Third, a different set of moral laws governs and restricts the behaviour of the Soviets. Fourth, the Soviet general's aims will be radically different from those of the American and the Englishman'<sup>31</sup>.

Westerners have an immensely difficult time in coming to grips with Soviet logic and morality, which, being based on the Leninist dialectic, are totally different from and inconsistent with, counterpart pragmatic Western concepts.

A critical example of the operational problem is the field of deception, disinformation and propaganda, which is one of the primary Soviet weapons used against the West – their first strategic echelon, as Khrushchev himself referred to it. **Deception is as natural a Russian national characteristic as is freedom in the United States**<sup>32</sup>. The Soviets were spending over \$3 billion each year in the late 1970s on deception, disinformation and propaganda, according to CIA estimates<sup>33</sup>. Yet the best that a US interagency study could conclude in 1982 was: 'The fact that the Soviet leadership continues to use active measures [which includes disinformation and political influence operations] on a large scale and apparently funds them generously, suggests a positive assessment of their value as a foreign policy instrument'<sup>34</sup>.

The FBI carried this bland assessment still further: 'We do not see Soviet active measures in the United States as having a significant impact on US decisionmakers....

The American media is sophisticated and generally recognises Soviet influence attempts.... The FBI has uncovered no evidence that suggests American policymakers have been induced to adopt policies against America's interests through KGB influence operations in the United States<sup>35</sup>. This is contrary to the view of numerous defectors with expertise in that area<sup>36</sup>. It is also contrary to the view of many non-government experts<sup>37</sup>.

Nor does it explain the uncommonly high number of assumptions regarding the Soviet Union that serve as the basis for US policy and that correlate well with the assumptions promoted by Soviet deception operations. Needless to say, the CIA and FBI positions involve a measure of self-interest: to the extent that there is a severe deception and disinformation problem, that would reflect badly on US counter-intelligence capabilities, which are centred in the FBI and CIA.

The FBI wrote a follow-up report on Soviet active measures which was placed in the *Congressional Record* by Representative C. W. 'Bill' Young (R-FL). The report covered the 1986-87 time period and was considerably less bland. It concluded:

'Although it is often difficult to judge the effectiveness of specific active measures operations, the Soviets believe these operations have a cumulative effect and are detrimental to US foreign policy and national security interests. Furthermore, the Soviets believe that their active measures operations in the United States do contribute to their overall strategy to advance Soviet foreign policy interests, influence US Government policies, and in general discredit the United States'<sup>38</sup>.

While the report still failed to reach any conclusion concerning the US assessment of the effectiveness of Soviet active measures, it did represent a step in the right direction.

In 1987, the Leadership Foundation sponsored a book on Soviet deception<sup>39</sup>. Independent analyses in different functional areas by seventeen experts were commissioned. One of the principal findings that emerged in nearly every analysis was that the United States' views do not correspond with reality and, indeed, were to a disturbing degree aligned with Soviet deception objectives<sup>40</sup>. Mere coincidence?

To what extent might our perception of the drug-trafficking problem have been influenced by the Soviet Bloc's deception, disinformation and propaganda apparatus? As reported by Jan Sejna<sup>41</sup>, the Soviet Bloc's disinformation and propaganda apparatus has been working hard for over twenty-five years to mould US perceptions of the drug problem. To what extent has the possibility of finding Soviet and Chinese involvement in international drug-trafficking simply been contrary to US policy? And why?

Might the Soviets have just 'primed' their drug-trafficking operations and then let them continue as independent, self-sustaining activities? Naturally, anything is possible. But this course of action would seem to be an unlikely possibility. The Soviets sustain a long-range revolutionary view. Their activities are governed, in general, by long-range strategy and by plans that extend for decades, and beyond.

† *Editor's Note:* For instance, it flies in the face of the fact that for many years, a known Communist occupied a senior management position on the staff of one of the leading US newspapers. It also disregards the continuing dissemination of mis- and disinformation over the years by agents of influence in features and reports in newspapers throughout the West, designed to pull the wool over the eyes of policymakers and the public. A case in point at this Edition's press date was a spate of articles which appeared in the United Kingdom and the United States that were clearly intended to sustain and reinforce the illusion, intended by Moscow, that the explosion of global drug-related criminality is just an unfortunate circumstance of modern life – rather than a consequence of a long-term intelligence offensive, as explained here.

Is what has been happening evidence of a change of tactics, or a strategic adjustment? While there have been domestic 'upheavals' throughout Eastern Europe, control mechanisms still appear to be in place, and intelligence operations are not known to have been seriously affected, at least not as of March 1990. Why would the Soviets walk away from such an eminently successful, long-term strategic offensive?

One reason might be to avoid getting caught. But the Soviet approach to sensitive strategic operations is to build into the operation good secrecy, counter-intelligence controls, and, from the beginning, a strategy that is ready to be implemented if there is a breach in the secrecy, and the enemy begins to recognise what is happening. The groundwork is laid, right from the beginning, to deny any responsibility and to place the blame on someone else. They even have a name for this strategy. It is called 'offensive denial'<sup>42</sup>.

As their narcotics trafficking strategy developed, the Soviets were careful to watch for any signs of Western awareness. By way of example, in 1964 British and Canadian delegations visited Czechoslovakia on separate occasions. Czechoslovakia was instructed to query the delegations to learn if British or Canadian counter-intelligence had connected drug-trafficking with the Soviet or East Bloc intelligence services. The purpose was to ready their counterattack in case something surfaced. The Czechoslovak approach was to indicate casually during informal one-on-one conversations that they had heard that the opposition party in the United Kingdom (or Canada) was linking the party of the person in the conversation to drug-trafficking and then see where the conversation went.

This Soviet strategy is also reflected in Moscow's decision, with effect from 1964, to publicise the drug-trafficking rôle of Communist China. Advertising China's rôle would draw attention away from the Soviet operation and provide a convenient culprit for the West to blame for the escalating drugs scourge. The 1964 article by Ovchinnikov<sup>43</sup> (see page 41) tied the opium, morphine, and heroin problem in Japan, the United States and Southeast Asia to China. Yunnan Province was identified as the main producing area feeding Southeast Asia. The article also discussed the coordination meeting held in Peking in 1952 and the decision to expand production which formed part of the 'Great Leap Forward'. This theme was repeated and expanded in 1969, in *Literaturnaya Gazeta*. More details were now provided with the important elaboration that the CIA was also identified as a participant in the trafficking in Southeast Asia. The article linked the CIA to the transportation of 100-kilogram bars of opium from the remote regions of Laos to bases in Thailand and to secret factories on an island in the Mekong River, where the opium was processed. 'From that factory, the heroin goes to the United States, Japan and Western Europe'<sup>44</sup>.

Reports of foreign nationals trafficking from Bulgaria are especially curious. As indicated earlier, in a 1984 report to Congress<sup>45</sup>, the Drug Enforcement Administration indicated that it had knowledge of numerous foreign nationals who were using Bulgaria as their base of operations. The DEA provided Bulgaria with lists of names of such people on at least four different occasions. Some 56 names were apparently provided to Sofia<sup>46</sup>. What is interesting is that none of the lists identified Bulgarian citizens. Why?

Did the United States have *any* names of Bulgarians who were involved, but which for some reason were not disclosed, or did the United States actually *only* have the names of non-Bulgarians, as was implied in the DEA report? It is distinctly possible that the latter situation is the case, and that the process by which the United States obtained the names was *not* the result of poor Bulgarian security – but that the United States was intended to learn *only* the names of non-Bulgarian traffickers.

KINTEX is reported to have been set up in 1968, although there are indications that it

was in operation several years earlier and was tied into the provision of morphine base to Italian and French laboratories during the 'French Connection' era – the mid-1960s<sup>47</sup>. In 1969, 200 kilograms of heroin were seized in West Germany. Through sophisticated chemical analysis of the drug, the German authorities determined that the heroin had been manufactured in Bulgaria, thus directly linking Bulgaria with the manufacture of heroin used in illicit trafficking. It was after this determination was made that a DEA source disclosed the Bulgarian plan for enabling foreign nationals to use Bulgaria as a base for drug manufacturing and trafficking operations.

This disclosure materialised in June 1970<sup>48</sup>. It would also appear, based on the DEA report, that the names of the non-Bulgarian nationals conducting heroin manufacture and trafficking first started appearing in December 1970<sup>49</sup>. It does not require much imagination to hypothesise the Bulgarian use of KINTEX to manage foreign nationals as part of an operation deliberately designed so that if information were leaked to the United States, presumably due to lack of appropriate care by one of the foreign nationals, there would be a non-Bulgarian explanation for the manufacture and movement of drugs to the West from and through Bulgaria. Such an operation could also be designed as a cover for Bulgarian operations conducted without the participation of any foreign nationals<sup>50</sup>.

When Cuba's rôle in drug-trafficking was disclosed in the US courts in 1982, the linkages to the Soviet Union were implicit. It was only a matter of time before questions would be raised about Soviet participation. This event, which was widely publicised in the news media, must have set off discrete alarms in the Soviet offices responsible for '*Druzhiba Narodov*'. Some type of protective response was now urgently needed.

In thinking back over the events of the early 1980s and the Soviet need for a diversion, it is interesting to recall the manner in which reports that the Soviets had a drug problem of their own, began surfacing. For years the Soviets had claimed that they had no drug problem because of their social conditions – full employment, no homelessness, and ample opportunities for young people to obtain a good education or learn a trade. Then, suddenly in 1986, a drug problem emerged in Soviet literature<sup>51</sup>. Much of the blame was placed upon Afghanistan 'Freedom Fighters' who were selling drugs to the Soviet soldiers. But another report from the Soviet Union was particularly odd. It concerned the theft of poppy seeds, which was portrayed as *another* indication of the growing drug problem. This should have raised a red flag. Throughout the Soviet Union there is widespread cultivation of poppies. Poppies are grown for medicinal purposes and for the seeds. Children often drink the nectar in the buds of the ripening flowers. Poppy-seed cake is a national desert in the Ukraine and poppy seeds are widely available. So concern over theft of poppy seeds is hardly worth reporting.

According to an analysis by Dr James Inciardi, Professor and Director, Department of Criminal Justice, University of Delaware, the sudden emergence of a Soviet addiction problem in 1986 was *inconsistent with the facts*, which included the easy availability of poppies and hashish and a population known for its alcoholism. Moreover, as he explained, an important Soviet research study on drug addiction published in February 1987 was not suggestive of a recent problem. Inciardi then pointed out that most of the work on this new research article was actually done in the late 1960s, and referenced source material dating as far back as 1955. He showed that the Soviets most probably had extensive clinical exposure to drug abusers as far back as the 1950s<sup>52</sup> (which, coincidentally, is precisely when the Soviet analyses of the use of drugs as strategic weapons were intensified). The

obvious question, of course, was: why did the Soviets decide to start publicising their drug problem in 1986?

Two possibilities are worth considering. First, in 1985 the Soviets were in the process of *modifying their tactics towards the West*. As part of this process, they sent numerous emissaries to the United States to talk to prominent 'hardliners', inquiring of them what it was that the Soviet Union had to do to show that it was changing. In the past, it had been a common practice for the Soviets to adopt a strategy designed to portray this image of change as part of a programme to obtain increased financial and technical assistance from the West<sup>53</sup>. This could very well explain many of the 'changes' that were to appear in the latter half of the 1980s. It could also help to explain, in part, the sudden publicity the Soviets gave to their drug problems, beginning in 1986.

Additionally, it must have been evident, with effect from at least mid-1983, that measures were needed to offset the growing focus of attention on the rôle of Soviet surrogates in drug-trafficking. In 1986-87, descriptions of Sejna's knowledge of the Soviet narcotics strategy first began to emerge – initially in a private newsletter in the late summer of 1986, and publicly in France in December 1986<sup>54</sup> and in America in January 1987<sup>55</sup>.

The Soviets could easily have been aware, as early as 1985, that this material was being developed. Also, in 1986 and 1987<sup>56</sup>

, further indications of Soviet activities surfaced, with reports of seizures of narcotics being transported on Soviet ships. In 1986, Dutch police seized 220 kilos of heroin aboard the Soviet freighter, the *Kapitan Tomson*. Belgian and Canadian officials seized Soviet containers stashed with illegal drugs in 1987. Also in 1987, Italian customs police seized 880 pounds of hashish concealed in the bottom of a container<sup>56</sup>. The cat was definitely out of the bag.

While these events were unfolding, news about internal Soviet drug problems continued to grow. This provided an understandable basis for the new Soviet interest in 'working with the West', specifically the British and Americans, to 'stop drug-trafficking'. In February 1988 the Soviets and British signed a memorandum of understanding on cooperation over drug-trafficking. Three months later, the Soviets tipped off the British about some drugs that were about to be smuggled into Britain. On April 29, 1988, *Tass* announced that a joint operation, code named 'Diplomat', conducted by Soviet and British customs agents, had led to the seizure of three-and-a-half tons of hashish with a street value of £10,000,000. The drugs were in transit from Afghanistan via Leningrad to Tilbury. The Soviets reported that the source of the hashish was Pakistan. One wonders why the Soviets did not seize the drug shipments in Afghanistan, or the Soviet Union, as would have been logical if the object of the exercise had really been to combat drug smuggling. Rather, the *Tass* announcement noted that Operation 'Diplomat' was *another example of broadening international cooperation*. The particular broadening referred to were agreements which were then being negotiated with France and the United States.

Is what the Soviets had in mind 'cooperation'? Or is this 'cooperation' in reality a **carefully orchestrated Soviet protection, deception, and penetration operation?**

Incidentally, a rather simple test of the Soviets' sincerity on this score comes to mind. Let the authorities in Moscow provide a detailed description of the drug operations that

† *Editor's Note:* It also provided the necessary false impression of 'equivalence' between of the drug problems in the USSR and the West, which was a prerequisite for East-West 'cooperation' in the 'fight against drugs'. Moscow sought such 'equivalence' in order to be able to neutralise Western anti-drug operations effectively, while obtaining a constant stream of Western drug-related intelligence from inside sources. This 'Bold Bolshevik' approach is typical of Leninist activist revolutionary methodology, to which Western Governments are tragically blind.

they have had a 'hand' in running from 1955 to the present, complete with the names, details and photographs of everyone they trained and everyone who has assisted them over the years; let them provide copies of all Soviet Bloc intelligence files on non-Soviet narcotics trafficking operations; and let them channel back to the countries of origin, all drug-related profits realised by the Soviet Bloc's intelligence services.

Would the Soviets simply have walked away from their drug operation? Possible, but hardly likely. '*Druzha Narodov*' was eminently successful. It was also a long-term operation involving a substantial commitment of resources. **Why would the Soviets suddenly trash the operation, especially considering the reluctance of the West to focus serious attention on either the drug-trafficking problem or on the rôle of Soviet surrogates in drug-trafficking?** While one cannot deny that such a response would have been possible, it certainly would have been inconsistent with Soviet strategy and with Moscow's operational doctrine, one of the central principles of which is **control**. The Soviets go to great lengths to ensure **control**. The last situation they want is the emergence of economically independent and uncontrolled splinter operations<sup>57</sup>.

Notwithstanding the changes which impressed the whole world under Gorbachev there have been few indications of any favourable changes in Soviet strategic capabilities or intelligence operations. As William H. Webster, the CIA's Director of Central Intelligence at the time, observed in February, 1990, the intelligence services in Eastern Europe were likely to remain at work notwithstanding the sweeping changes taking place in those countries; and, they would continue cooperating with the Soviets<sup>58</sup>. Additionally, Soviet military support continues to flow into various besieged countries, and the Soviet Union's propaganda apparatus continues to spread lies about the United States around the globe<sup>59</sup>.

The offer extended by the Drug Enforcement Administration and US Customs back in 1971 to work with the Bulgarian intelligence services to help them arrest drug-traffickers provided the Soviets with an almost heaven-sent mechanism for taking the pulse of US narcotics-trafficking intelligence. This 'cooperation' is now being expanded to include sharing drug-trafficking intelligence directly with the Soviets. Naturally, this provides the Soviets with what might be the ultimate *feedback mechanism* with which to keep track of US data and concerns. And, in the light of such 'cooperation', how could US Government officials, or officials from other countries similarly involved, ever suspect – let alone publicly charge – the Soviets with masterminding a comprehensive Soviet Bloc intelligence drug-trafficking operation? Even if Western suspicions were to be aroused on this score, as they have been from time to time, any conclusion along those lines would be pigeon-holed indefinitely on the basis that it conflicted with 'accepted' US policy.

Data provided by the former Secretary of the Czechoslovak Defence Council are extensive and have far-reaching consequences. Drug-trafficking by the Soviet Bloc countries and China is just one of the monstrosities revealed in his disclosures. Yet notwithstanding the apparent importance of the data, it continues to be ignored, swept aside, or damned with faint praise. Is the problem one of *confirmation*? **Or, do people in Washington simply not want to know?** Is the force of Soviet disinformation, deception and infiltration *too strong to combat*; is current propaganda on the new and 'reformed' Soviet policy of *glasnost* so powerful that all the preceding '*glasnost*'<sup>60</sup> and failed promises of reform are now **ignored or cast aside as ancient history**<sup>61</sup>? Are the data not given serious attention because they are not believed, or because the instant one gives them serious attention, **it becomes clear at once that the United States has serious problems, requiring urgent attention?** ■

## References to Chapter 11:

1. 'Without demand there is no supply'. Advertisement paid for by the Government of Colombia, *Washington Post*, October 14, 1988, page A22. For a more sophisticated statement, consider the words of President Julio Maria Sanguinetti of Uruguay at the opening of a meeting of seven Latin American Presidents. 'The key factor of consumption of drugs', he said as reported in the *Washington Post*, 'springs from deep-seated societal issues that will not easily be resolved'. Eugene Robinson, *Washington Post*, October 12, 1989, page A35.
2. Data taken from 'Drug Dependent Deaths Reported in New York City from 1923 to 1984', Communication from the Department of Health, New York City, September 14, 1988.
3. Gabriel G. Nahas, 'The Decline of Drugged Nations', *Wall Street Journal*, July 11, 1988.
4. This is a US intelligence estimate of Soviet active measures expenditures circa 1979. However, given the limited knowledge by US intelligence of Soviet active measures, for example, narcotics operations, the \$3 billion figure is probably a gross underestimate.
5. One of the most pernicious political movements – supported, if not created, by Soviet-directed propaganda and active measures – is the drug (particularly marijuana) legalisation movement. As reported by Candlin, a meeting was organised by the Comintern in New York in 1934 to disseminate information on the use of marijuana as a conditioning medium for riots and revolutionary activity. The principal speaker explained the virtues of marijuana as a 'valued weapon in the Red arsenal' and described its experimental use in Mexico and the need for valuable revolutionary cadres to avoid excessive use of the drug. At that meeting, speakers rose and 'propounded a long-range campaign to arrange legal acceptance of marijuana and other similar drugs, using as an argument the right to freedom of individual choice. Some elements present – left-wing doctors, lawyers, news media representatives, and even clergy – were urged to get a coordinated campaign running in which the public would be urged to accept and legalise the drug'. *Psycho-Chemical Warfare: The Chinese Communist Drug Offensive Against the West*, op. cit., pages 45-48. See also the quotation from the 1966 secret resolution on page 28 (Chapter 3).
6. C. W. Sheppard, G. R. Gay and D. E. Smith, 'The Changing Patterns of Heroin Addiction in the Haight-Ashbury Subculture', *Journal of Psychedelic Drugs*, Spring 1971, page 23. Copyright 1971 by the *Journal of Psychedelic Drugs*. Reprinted with permission. Data for 1969 and 1970 is omitted because of their proximity to the collection date.
7. 'Brazil May Become No. 1 Drug Exporter', *Insight*, July 25, 1988, page 37, citing *O Globo*, June 26, 1988.
8. Earlston Spencer, 'Subverting Jamaica', National Committee To Restore Internal Security, *Houston Hearing*, September 29, 1980, pages 29-34.
9. *Crack Cocaine Overview 1989*, op. cit., page 7.
10. Interview with Carlos Lehder, Uri Ra'anán et al., *Hydra of Carnage* (Lexington, Massachusetts: Lexington Books, 1986), page 434.
11. *Hearing to Receive Testimony on Drugs, Law Enforcement and Foreign Policy: Panama*, February 11, 1988, op. cit., pages 88, 97.
12. James M. Dorsey, '12 Killed in Medellin by Bomb, Despite Curfew', *Washington Times*, September 1, 1989, page A1.
13. 'US Official Says North Korean Farmers Ordered to Grow Drugs', *New York City Tribune*, February 21, 1990, page 6.
14. 'Western Intelligence' Links Honecker to Drugs', Hamburg *BILD*, reported in *Foreign Broadcast Information Service*, FBIS-EEU-89-233, December 6, 1989, page 40.
15. In one of the largest heroin smuggling cases on record, Manuel Dominguez Suarez, a one-time head of the Mexican Federal Judicial Police, was arrested on May 7, 1970 in San Antonio, Texas. He had made nine trips to East Berlin, each time returning to Mexico with fifty kilograms of heroin, which were then moved across the border into the United States. Suarez received special treatment when he entered East Berlin – his passport was never stamped. He had been recruited by a Pole with East German connections. *World drug-traffic and its impact on U.S. Security*, op. cit., Part 4, page 157.
16. After DEA information was leaked to the press in March 1989 on the active involvement of Bulgaria in drug refining, trafficking and money-laundering, all in contradiction to the State Department's report to Congress on March 1, the State Department confirmed the DEA's data and said: 'It is the intention of the US Government to present the facts to the Bulgarian Government for whatever remedial action appears warranted', which is probably as far as the matter will have gone. After all, an 'intention' need never be realised in practice. Bill Gertz, 'State Confirms Bulgarian Company's Drug Ties', *Washington Times*, April 7, 1989, page A6.
17. Bill Gertz, 'Cuban Officers' Arrests Linked to Drugs', *Washington Times*, June 19, 1989, page A3; Gilles Trequesser, 'Cuban General Arrested for Treason Could Face Firing Squad', *Washington Times*, June 20, 1989, page A11; Gilles Trequesser, 'Cuban Officials Pledge Crackdown on Drugs', *Washington Times*, June 23, 1989, page A11; Julia Preston, 'Cuba Details Drug Deals', *Washington Post*, June 23, 1989, page A27; Michael Hedges, 'Drug Trial Testimony Forced Castro's Hand, Officials Believe', *Washington Times*, June 26, 1989, page A7; Mark A. Uhlig, 'Raúl Castro Adds Sparks to Cuban Trial', *New York Times*, June 27, 1989, page A3; Alfredo Munoz-Unsain, 'Firing Squad Likely for Cuban General in Drug-trafficking', *Washington Times*, June 27, 1989, page A9; Julia Preston, 'Castro Fires Top Official For Security', *Washington Post*, June 30, 1989, page A25; Julia Preston, 'Cuba Sentences Officers to Death for Corruption', *Washington Post*, July 8, 1989, page A1; and 'Cuba Executes Convicted Officers', *Washington Post*, July 14, 1989, page A24.

18. *Hearing to Receive Testimony on Drugs, Law Enforcement and Foreign Policy: Panama, Hearings Before the Subcommittee on Terrorism, Narcotics and International Operations of the Committee on Foreign Relations*, February 10, 1988, unpublished stenographic transcript, page 70.

19. When the US Coast Guard attempted to board and search a cargo ship chartered by Cuban interests for evidence of drugs, the ship fled and sought refuge in Mexican waters. The United States had information that indicated the Cuban cargo was suspect. The ship was registered in Panama and the US had permission from Panama to board and search the vessel. The Mexicans then refused a US request to conduct a joint search of the vessel, and said they would conduct the search by themselves. Patrick E. Tyler, 'Coast Guard Fires Upon Cuban Ship', *Washington Post*, February 1, 1990, page A1.

20. The estimate on marijuana grown in Mexico, for example, rose during 1989 by a factor of ten. Michael Isikoff, 'World Output of Narcotics Soars, Congress Told', *Washington Post*, March 2, 1990, A24.

21. *Affidavit of Nelson Mantilla-Rey* (A 28-279-438) in Support of Political Asylum Application, Sworn to and subscribed to Gial Valentino, Notary Public, May 19, 1989, Suffolk County, Massachusetts.

22. M. M. Kirsch, *Designer Drugs* (Minneapolis, Minnesota: CompCare Publications, 1986), page 56.

23. James A. Inciardi, 'Beyond cocaine: basuco, crack, and other coca products', *Contemporary Drug Problems*, Fall 1987, page 471.

24. *Designer Drugs*, op. cit.

25. *Ibid.*, pages 46-47.

26. *Crack Cocaine* (Washington, D.C.: US Department of Justice, 1989), page 13 and appendices.

27. 'Today, Federal officials estimate there are as many as 10,000 Colombian traffickers operating in the United States, most of them in four key distribution centres - Miami, New York, Los Angeles and Houston. Trained at special drug-trafficking schools in Colombia and paid up to \$20,000 a week, the cartel traffickers are rotated among the four cities, compartmentalised into small 10 to 20 member 'cells'. Michael Isikoff and Nancy Lewis, 'Making the California Connection to the Cali Cartel', *Washington Post*, September 3, 1989, page A18.

28. Thomas L. Friedman, 'US and Soviets May Swap Secrets', *New York Times*, April 21, 1989.

29. Crozier, 'Drogue: la Filière Soviétique', *L'Express*, December 25, 1986, op. cit. This was immediately followed by Rachel Ehrenfeld, 'Narco-Terrorism: The Kremlin Connection', *Heritage Lectures No. 89* (Washington, D.C., The Heritage Foundation, 1987), and Joseph D. Douglass, Jr. and Jan Sejna, 'International Narcotics Trafficking: The Soviet Connection', *Journal of Defence and Diplomacy*, December, 1986.

30. For an excellent analysis of the overall problem, see Jean-François Revel, *How Democracies Perish* (Garden City, New York: Doubleday & Company, Inc., 1984).

31. Oleg Penkovskiy, *The Penkovskiy Papers* (Garden City, New York: Doubleday & Company Inc., 1965), pages 243-244.

32. See Hedrick Smith, *The Russians* (New York: Quadrangle/The New York Times Book Co., 1976), page 17; and *Journey for Our Time*, the journals of the Marquis de Custine, edited and translated by Phyllis Penn Kohler (London: Arthur Barker, Ltd., 1951).

33. The French analyst Mme. Suzanne Labin estimated the Soviet propaganda effort at \$2 billion per annum back in 1960, which would suggest a much larger size today. US Senate, *The Technique of Soviet Propaganda*, A Study Presented by the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary (Washington, D.C.: US Government Printing Office, 1960), page iii.

34. US House, *Soviet Active Measures*, Hearings Before the Permanent Select Committee on Intelligence, July 13, 14, 1982 (Washington, D.C.: US Government Printing Office 1982), page 49, emphasis added.

35. *Ibid.*, pages 226-227.

36. See, for example, Anatoliy Golitsyn, *New Lies for Old* (New York: Dodd, Mead & Company, 1984); John Barron, *KGB Today: The Hidden Hand* (New York: Reader's Digest Press, 1983); Chapman Pincher, *The Secret Offensive* (London: Sidgwick & Jackson, 1985); Richard H. Shultz and Roy Godson, *Dezinformatsia* (Washington, D.C.: Pergamon-Brassey's, 1984); Ladislav Bittman, *The KGB and Soviet Disinformation* (Washington, D.C.: Pergamon-Brassey's, 1985), and Edward Jay Epstein, *Deception* (New York: Simon & Schuster, 1989).

37. See Raymond S. Sleeper, editor, *Mesmerized by the Bear* (New York: Dodd, Mead & Company, 1987); and Brian D. Dailey and Patrick J. Parker, editors, *Soviet Strategic Deception* (Lexington, Massachusetts: Lexington Books, 1987).

38. US Federal Bureau of Investigation, *Soviet Active Measures in the United States 1966-1987*.

Reprinted by the Security and Intelligence Foundation, Arlington, Virginia, 1988, page 20.

39. For several case studies in Soviet deception, see Raymond Sleeper, editor, *Mesmerized by the Bear*, op. cit., and Brian D. Dailey and Patrick J. Parker, editors, *Soviet Strategic Deception*, op. cit. Regarding Soviet deceptions and assumptions underlying United States policy; see *Mesmerized by the Bear*, op. cit., pages 223-224. See also Anatoliy Golitsyn, *The Perestroika Deception*, Edward Harle Limited, op. cit.

40. Sleeper, *Mesmerized by the Bear*, op. cit.

41. In addition to his positions described in Chapter 2, Sejna was a member of the sensitive deception review and planning committee for three Party Congresses and in respect of the development of the long-range plan.

42. A detailed discussion with examples of the Soviet strategy of **offensive denial** is presented in Joseph D. Douglass, Jr., *Why The Soviets Violate Arms Control Treaties* (Washington, D.C.: Pergamon-Brassey's, 1988), pages 63-83.

43. V. Ovchinnikov, 'The Drug Dealers', *Pravda*, September 13, 1964, translation by Rachel Douglas.



44. B. Bulatov, 'How the Maoists Conduct Contraband Trade in Opium', *Literaturnaya Gazeta*, March 19, 1969, page 12, translation by Rachel Douglas.

45. *Drugs and Terrorism*, 1984, *op. cit.*

46. *Ibid.*, pages 67, 68.

47. 'Among other traffickers associated with KINTEX are Syrian nationals Henri Arsan and Sallah Wakkas. Both Wakkas and Arsan, the latter having died in an Italian prison, were key figures in the movement of morphine base to Italian and French laboratories during the 'French Connection' era'. Drug Enforcement Administration, Strategic Intelligence Section, 'The Involvement of the People's Republic of Bulgaria in International Narcotics Trafficking', *Ibid.*, page 61.

48. *Ibid.*, page 65.

49. *Ibid.*

50. It seems especially curious that it is precisely when there emerges a mass of data on the official involvement of Bulgaria in drug-trafficking that US officials decide to approach Bulgaria and suggest joint operations to stop drug-trafficking through Bulgaria. Why *Bulgaria*? Who in the US Government proposed this approach? Is there a parallel between this situation and the events in the 1980s when, all of a sudden, more suggestions for 'joint' anti-drug-trafficking efforts and intelligence-sharing emerged following increased publicity surrounding the involvement of Communist countries?

51. It is also interesting that in 1986 two flattering biographies of Fidel Castro were published: Tad Szulc, *Fidel: A Critical Portrait* (New York: William Morrow and Company, Inc., 1986); and Peter G. Bourne, *Fidel: A Biography of Fidel Castro* (New York: Dodd, Mead & Company, 1986).

52. James A. Inciardi, 'Drug Abuse in the Georgian S.S.R.', *Journal of Psycho-active Drugs*, October-December 1987.

53. This was one of the principal ingredients of the **New Economic Policy** [NEP] adopted by Lenin in 1921 (see Anatoliy Golitsyn, *New Lies for Old*, New York: Dodd Mead, 1984, pages 10-52) and of the 'peaceful coexistence' deception adopted by Khrushchev in 1954 (see Jan Sejna, *We Will Bury You* (London: Sidgwick & Jackson, 1982), pages 22-36; and Joseph D. Douglass, Jr., 'Soviet Strategic Deception', in Raymond S. Sleeper editor, *Mesmerized by the Bear* (New York: Dodd Mead, 1987)).

54. Brian Crozier, 'Drogue: la Filière Soviétique', *L'Express*, December 25, 1986.

55. Joseph D. Douglass, Jr. and Jan Sejna, 'International Narcotics Trafficking: The Soviet Connection', *Journal of Defence and Diplomacy*, December, 1986.

56. '\$20 Million in Heroin Arrived on Soviet Ship', *Washington Times*, August 19, 1986, page 7A.

'Soviet Role in Dope Smuggling Exposed in European Press', *New Solidarity*, August 29, 1986, page 5. 'Italy Seizes Hashish from Soviet Ship', *Washington Post*, April 5, 1987, A 19.

57. The Soviets do, upon occasion, pull in their reins., in accordance with the 'one step forward, two steps back' strategy. However such operations always remain *controlled*: **control is not severed**. Moreover a diminution of operational activity would also be apparent, but this is nowhere evident.

58. George Lardner, Jr., 'CIA Director: E. European Spies at Work', *Washington Post*, February 21, 1990, page A15. Earlier, Senator William Cohen (R-ME), Vice Chairman of the Senate Intelligence Committee at the time, had said: 'The intelligence services of Poland, East Germany, Czechoslovakia, Bulgaria, Hungary and Cuba continue to conduct intelligence operations in this country, not only to serve their own national interests, but also as surrogates for Soviet intelligence'. Bill Gertz, 'Despite Reform, East Bloc Spies on US', *Washington Times*, November 20, 1989, page A3.

59. US Department of State, *Soviet Influence Activities: A Report on Active Measures and Propaganda, 1987-1988* (Washington, D.C.: US Government Printing Office, August 1989).

60. Promoting the concept of reform as a mechanism to gain economic and technical assistance from the West has been a traditional (and most successful) Soviet deception strategy. In evaluating the recent Soviet 'reforms' called *perestroika* and *glasnost*, there are two especially compelling historical references to keep in mind. The first is Lenin's enormously successful deception, the **New Economic Policy** [NEP] in which Communism was portrayed as changing and embracing capitalism, but only in order to secure economic and technical assistance from the West. This eminently successful strategy, as analysed in KGB studies, is described by the former KGB officer Anatoliy Golitsyn in *New Lies for Old* (New York: Dodd, Mead & Company, 1984) [and also in his more recent work, *The Perestroika Deception*, Edward Harle Limited, 1985 and 1998, *op. cit.* - Ed]. The second is the strategic deception of 'peaceful coexistence', which was launched by Khrushchev in 1955 to procure economic and technical assistance from the West and to hasten the West's defeat [see also Note 53, above]. This strategy is described by Jan Sejna, the former Secretary of the Czechoslovak Defence Council, in *We Will Bury You*, *op. cit.* In both cases the Leninist tactics, strategy, and underlying motivations bear an uncanny resemblance to the events which took place under Mikhail Gorbachev. See especially **Anatoliy Golitsyn**, *The Perestroika Deception*, *op. cit.*

61. *Editor's Note*: Do Western intelligence communities in fact employ no Russian-speaking students of Lenin who could have enlightened their superiors concerning the true Leninist revolutionary meaning of *perestroika* - reformation, as in 'military formation'? Certainly, there is evidence of a perverse official determination to accept the Soviet Leninists' 'break with the past' lie as genuine, irrespective of the consequences. For instance, the British Ministry of Defence discarded its copies of the indispensable three-volume *Documents of the Communist International, 1919-1943*, edited by Jane Degras (Oxford University Press, 1956), since these volumes, complete with MOD Library Services stamp, were acquired by this writer. The British Foreign Office also sold off much of its Library of materials on Communism in 1990-91. So it is hardly surprising that Western policymakers remain blind. As a consequence, 'convergence' on the East's terms is already far advanced.

# GRIM OUTLOOK FOR THE 21ST CENTURY

Since *Red Cocaine* first went to press ten years ago, the drug problem has continued to grow. Drugs are more widely available than ever before, prices are lower, and drug potency has increased. For example, heroin is now available that is 90 percent pure. Following a temporary decline from 1988 until 1992, teenage usage has been proliferating<sup>1</sup>. This is especially disturbing because of the grave implications for society's future.

From a global perspective, America is no longer the sole 'primary' target of the deliberate drugs offensive to destabilise the West and destroy Western society and democracy. Illegal drugs are flowing into Europe at record rates and into the various republics of the former Soviet Union. With them, crime and high-level corruption, which typically accompany illegal drugs, are growing everywhere. The size of the global criminal gross take is now estimated to be in excess of \$2 trillion *per annum*. Health problems, which are also tied to illegal drug use, are proliferating.

Meanwhile the costs associated with measures to 'combat' the drugs scourge continue to escalate. The United States alone currently spends over \$15 billion *per annum* on anti-drug operations. Apart from the spiralling expenditures and overheads, however, not much has changed. Responsive measures remain focused on:

- Interdiction;
- Attempts to gain the cooperation of drug-producing countries;
- Law enforcement, and;
- Education.

These measures remain as conspicuously ineffective today as they were 25 years ago – as is only too apparent from the ready availability of drugs, their decreased street prices, their heightened potency, and the associated increases in consumption among adolescents. Yet notwithstanding the severity of the illegal drug scourge and its consequences, there is no evident determination to address the challenge it presents in a serious manner. Moreover the official diagnosis of the crisis in the United States remains naïve and inadequate.

One reason the drugs crisis receives much less serious attention (in the United States, as well as elsewhere) than it should be receiving, is that estimates of what illegal drugs cost people everywhere – not just in monetary terms but also in respect of their impact on political and social structures, and on families and individuals' lives – are woefully incomplete and grossly understated. This appears to be because the US authorities, and some other

Western Governments as well, do not relish having to face the severity of the offensive against Western societies, and do not want to advertise the gravity of the crisis.

In America, drug use and cost estimates are based mainly upon so-called 'Household Use' statistics. These statistics are so inadequate and misleading that they may well be worse than none at all. There are two monumental problems with the 'Household Use' statistics. First, they assume that people will voluntarily tell the truth about their use of drugs. Secondly, they do not address the heaviest group of drug users – people who are not 'found in households' but rather are homeless or in various institutions such as jails, shelters, hospitals, and treatment facilities.

Important insights into the value of 'self-reports' were brought to light in 1991 when the Emory School of Medicine ran a covert test of drug user 'truthfulness' at a walk-in clinic in Atlanta<sup>2</sup>. Their researchers asked patients if they had used any drugs in the preceding three days. What the researchers did not tell the patients was that they intended to test their urine for cocaine drug residue. What they determined was that seventy-two per cent of the men who claimed they had used no drugs during the preceding three days tested positive for cocaine use alone. If they had been tested for the use of other drugs as well – for example, marijuana, heroin, PCP, LSD, ecstasy, methamphetamines and so forth – the percentage would probably have exceeded ninety percent. Their conclusion was clear: *self-reports of drug use are unreliable*. The drug-use statistics that they calculated for the segments of the population they dealt with were three times higher than one would estimate based on the 'Household Use' statistics.

In addition, there have been no good estimates of US hard-core users, and the costs associated with drug usage by this group probably exceed all those of the non-hard core users that form the backbone of the 'Household Use' statistics. For over ten years, the number of chronic users has been assumed to be around three to five million. To its credit, the US Office of National Drug Control Policy has initiated a study to try to establish how many hard-core addicts there are in the United States<sup>3</sup>. Their first attempt focused on Cook County, Illinois. There, they studied the jails, homeless shelters, and institutions and used drug-use tests – both urine and hair tests – to verify reports. While their survey still yielded an underestimate, the results were alarming. The Office of National Drug Control Policy estimated that there were 330,000 chronic users in Cook County alone. Their findings were still labelled 'preliminary' and carried the warning, 'do not extrapolate'. But, if one nevertheless extrapolates these findings, the corresponding national hard-core total would be in the 15 to 20 million range, which is three to five times higher than the conventional wisdom – and, as predicted, considerably higher than the usage rates one might be tempted to employ, based on the 'Household Use' statistics.

A realistic estimate of what the drug plague costs the United States each year, using conservative figures and Government statistics where they exist, is also eye-opening. It is three to five times higher than the \$50 to \$60 billion numbers quoted by President Clinton and Vice President Gore a few years ago. To place these 'competing' estimates in perspective, they show the drug plague each year costing the United States more than the entire ten-year Vietnam War, with the number of illegal drug casualties each year also exceeding the total Vietnam War data<sup>4</sup>. Moreover, annual deaths attributable to illegal drugs are actually over four times higher than the total fatalities in the worst of the Vietnam War years.

These cost estimates do not and cannot put a dollar figure on the damage being done due to the corruption of drugs and drug money on people's lives. Brains, bodies,

spirituality, and life courses are destroyed. Families, the basic building blocks of society, are burdened to the point, sometimes, of total disruption. Almost everyone one meets in the United States these days has direct personal experience of the damage inflicted by the drugs offensive on a family member or a close relative.

The Drug Enforcement Administration's estimate of US domestic marijuana production in 1992 – and that department (the DEA) rarely, if ever, overestimates the size of the supply – multiplied by the average street value of 'good' marijuana, yields an annual cash crop value of \$30 billion, twice the size of any legal farm crop. All such transactions and profits are illegal and have to be laundered. How much is laundered into stocks, bonds, and real estate? **Has the endless and escalating flood of drug money sustained and bolstered the stock and commodity markets, and also the strength of the US dollar on the foreign exchange markets?** How much drug money goes into political campaigns, or shows up in election contributions? How much influence and corruption does just the home-grown marijuana proportion of the drug trade in America, buy? Add imported marijuana, heroin, cocaine, LSD and methamphetamines – and the total rises sharply. Influence-peddling and election-financing are the natural associates of drug funds: so democracy is being undermined *directly* through interference with the democratic process and by ensuring that political candidates are beholden to evil money from the outset. This makes for corrupt government, as events in 1998 confirmed.

The implications are inescapable: growing, widespread, all-encompassing drug-money corruption, including corruption of the political, judicial, police, legal, accounting, finance, and even the business communities throughout the United States. And of course the same fate awaits the other leading Western countries which are prime targets for the drug offensive. In Europe, the European Union's structures, already notorious for nomenclaturist corruption and inefficiency, are prime targets for the drug offensive.

Police corruption has featured on the front pages of the newspapers in most of the leading American cities: for example, New York, Philadelphia, Miami, Los Angeles, Cleveland, Detroit, Chicago, New Orleans, and in Washington, DC. Extensive corruption in Federal agencies responsible for combating the flow of drugs has also been reported – affecting, in particular, the Drug Enforcement Administration, the US Customs Service, and the Immigration, Justice, and Border Patrol communities. The domestic and international banking communities are heavily compromised, of course, by the drug scourge.

Everyone understands that it is usually the so-called 'small fry' who get caught. These people are the most expendable and least sophisticated. Nor does it take a rocket scientist to recognise that the same corruption that has been exposed within the law enforcement agencies also permeates the higher levels in the judicial, financial, political and political influence communities throughout the United States. It is also clearly present, as noted, in the financing of elections; but neither US political party wants to discuss this phenomenon, if it can be avoided. It must be assumed, on the basis of the evidence, that the reputations of *both* the main US political parties are equally at risk.

In addition to a general lack of serious attention, assisted by an often complacent media approach to the issue, the 'war on drugs' in America remains ineffective because the illegal drug issue is *still* not understood historically, financially, politically, or strategically. Conventional beliefs and assumptions concerning the origins of the drug plague and the reasons it has proliferated so alarmingly, contain serious gaps and mis- or disinformation. According to the 'conventional wisdom', it is *the people themselves* who are at fault; that is, it is *the people themselves* who bear primary responsibility for the drug

plague. If the people did not use drugs, there would be no scourge. This, by the way, has always been the standard argument used by Colombians when the issue is raised by visiting Americans or Europeans: in Bogotá, it is the preferred analysis – for only too obvious reasons. Moreover, US officials and the media foster the image that drug-traffickers are little more than common criminals, people who live in fear of the law and who are, in effect, renegades whose only ideology is the pursuit of profit. These same purveyors of the news would also have us believe that the US Federal Government is doing its best to curb drug production and trafficking. As is demonstrated in the preceding material, nothing could be further from the truth. The army of apologists for the drugs crisis and its consequences, together with the ‘liberalisers’, have powerful and influential organisations behind them – and, of course, unlimited financial resources.

But the drug crisis, as we have seen, is not home grown – the result of some deficiency in US and other Western societies. **It emerged because it was forced upon the West as an act of long-term low-level warfare by very sophisticated intelligence operations orchestrated by the Chinese and by the Soviets and their various surrogates and satellites.** When Nikita Khrushchev was reported to have informed the West that ‘we will bury you’, he was misquoted. What Khrushchev actually said was: ‘**we will be present at your funeral**’. And, as anyone who has lost a family member, relative or loved one knows at first-hand, there have been many funerals since the drugs offensive began.

In this respect, note again the data in *Figure 5* on page 135, which show the growth in the first use by addicts of heroin recorded in the Haight-Ashbury section of San Francisco and the numbers of drug dependent deaths in New York City (*Figure 4*, page 133). These data reveal a significant jump in drug abuse in 1949-50, precisely when the Chinese narcotics trafficking operation began, and an exponential rise beginning in 1960-61 – which was when the Soviet narcotics trafficking operation was launched and the Chinese Communist operation was expanded.

The message is clear to anyone interested in learning what is *really* happening – which is to say, to anyone prepared to discard the rose-tinted spectacles and ‘politically correct’ misapprehensions favoured in baffled US and other official circles these days. *First*, the dramatic change in the usage statistics is the result of **increased supply**; and *secondly*, **the sources of the supply are foreign intelligence operations designed specifically to attack the youth of targeted countries with illegal drugs.**

In the course of 1998, yet more data emerged which, once again, showed the same phenomenon with respect to cocaine. In 1992, during the ‘Household Survey’ in the United States, people were asked *when* they began using cocaine for the first time. The data from the answers received were placed on the Internet. They are plotted in *Figure 7* on page 157. What stands out clearly is a significant change in usage statistics, starting in 1967, at which time the rate of first use of cocaine starts rising. Why? **What happened in 1967?**

The potential of cocaine as the most important drug of the future was first communicated to the Czechs in 1962. Operations to construct cocaine networks had already begun and were expanded with effect from that year. Between 1962 and 1965, the relevant production techniques were modernised by the East Germans. They developed brand new processes which turned out to be far superior to the old techniques. **One plant using the new German process could produce three times more cocaine than the entire then-existing production of Colombia, Peru and Bolivia.** These techniques were introduced, and the production and distribution networks were put in place, during 1965-66.

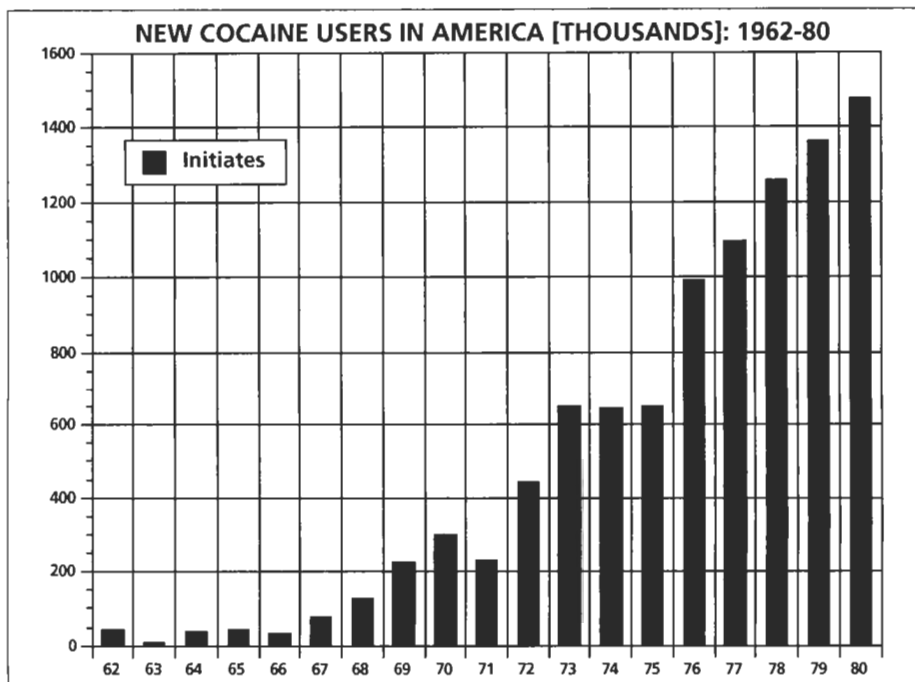
As General Sejna explained the position in detail, 1967 was the year when the

Soviets' cocaine production and distribution operations, centred indeed in Colombia, Peru and Bolivia, came on stream – which was *precisely* when the first use of cocaine data began rising steadily: see Figure 7. The increase in drug usage was **the result of a substantial increase in supply** and associated marketing strategies, and the source of those supplies and strategies was the Soviet foreign intelligence operation – the code name of which was '**Pink Epidemic**' (see page 33 *et seq*) alluding to the blending of the **white** (cocaine) with the **red** (Communism).

The chart below also provides significant insights into the means which need to be adopted in order to achieve an effective solution to the illegal drug scourge.

First, of course, there are two sides to the crisis – supply and 'demand'. Both sides have to be attacked, particularly since, *uniquely* in the case of drugs, *demand is created by supply*. Any proposed 'solution' which does not attack the *availability* of the drugs in question is **not** a solution because it does **not** address the fundamental source of the crisis – **the supply**. It is **the supply** (and this includes its marketing and support networks) which **creates addicts in the first place**. If the supply is not attacked, there will be a constant increase in the number of addicts as each new generation of young people for various reasons decides to 'experiment' and gets hooked.

In all honesty, the demand side, which is dominantly the demand generated by addicts, will **ultimately solve itself as the addicts die out**. Many users may languish and may never be cured. Proposals that make it safe for users to do drugs or that provide them with cheap drugs under the assumption that this will *reduce* crime are of course intended to



**Figure 7: New cocaine users in the United States [in thousands], showing conclusively the correlation with the commencement of Soviet involvement in 1967, and thus with supply.** Data source: Rouse, B.A., Ed., 1995, *Substance Abuse and Mental Health Statistics Sourcebook*. DHHS Publication No. (SMA) 95-3064, Government Printing Office, Washington DC. Chart prepared from published official data selected by the Author.

enable addicts to 'do their thing' until they die. These fancy and false notions will not solve the crisis, or indeed contribute to its remediation, because they do not attack the supply; and as the data in *Figure 7* confirm, it is indeed the **supply** that creates the drugs crisis in the first place. The objective of this supply is to **generate addicts** so that the supply can be consumed – that is to say, to **foster demand**. There is *no equivalence* between such **addiction demand** and normal *commercial demand*, as is always deceitfully implied.

*Secondly*, the preceding material shows that the illegal drug question is not going to be solved by attacking it as a 'law and order' or a 'law enforcement' or even a diplomatic challenge. The accuracy of this conclusion can be seen in the fact that the prevailing 'war on drugs' has been shown to have been totally ineffective – precisely because it has been approached as a law and order, law enforcement, and diplomatic challenge since it emerged in 1950. The 'results' achieved during the Reagan Administration provide a further demonstration of this fallacy. The drugs scourge was then approached as a law enforcement matter. As a consequence, US jails went from being three-quarters full to far over capacity; yet during that period, drugs became *more* plentiful, *more* potent, and *more* easily accessible, than ever before. The policy was a total waste of money.

Treating the drug plague as a law enforcement or a diplomatic problem will not succeed because those responsible are *not common criminals* and because **they operate with the protection of the local law and order communities, the domestic and international banks, and under diplomatic immunity**. The only way to approach the illegal drug plague is to recognise it for what it is – *an intentional attack* on the United States and the West generally. This concerted and relentless assault amounts to **an undeclared war in which all available means are employed** – overt, covert, illegal, and indigenous – in the pursuit of the enemy, which remains the West.

As for the US Government's supposed determination to decapitate the producers and traffickers, another comparison provides the needed perspective. Since the drug plague emerged, the United States has undertaken numerous military adventures, at great risk, cost, and without the invitation of those who were attacked. Consider, for example, Vietnam, Cambodia, Grenada, Panama, Iraq and Libya. We have even attacked, unilaterally and without anyone's concurrence, pharmaceutical plants suspected of producing nerve agents and the training and supply depôts of individuals who evidently sponsored terrorist activities. In none of these adventures was the United States under attack, or even directly threatened. Yet, in sharp contrast, there has not been **one** instance of a similar US military attack on a foreign drug producing or drug-trafficking régime, notwithstanding the fact that it is the United States (and of course the West generally) that is under *direct* attack, is *directly* threatened, and **has suffered and continues to suffer** extensive casualties, economic and social disruption, and individual fatalities as a consequence of this offensive. Indeed, **since the drug offensive is an act of war**, those countries which encourage or sanction or turn a blind eye to it should be placed on notice once and for all that if they do not cease their malevolent activities forthwith, the United States (and, if necessary, other targeted countries) will no longer be responsible for the destructive consequences. In short, such régimes should be regarded as *enemy régimes*. In this connection, it is worth recalling that the 'former' Soviet Union respected the West *only* when it stood up to its Bolshevik bullying.

If, then, 'conventional wisdom' is set aside, and along with it all the various explanations of the drug scourge which flow so glibly from the official and unofficial talking heads in Western capitals, a sharply divergent image emerges. Specifically, the illegal drug

plague will be seen to be an international criminal 'business' which, due to the corruption it engenders, enjoys the support and protection of many countries and of many powerful people, some of whom are well-known personalities. And the scourge can be seen to have grown for five primary reasons.

*First*, the drug plague is **not** the brainchild of 'common or garden' crooks and criminals. It is **the result of long-term strategic intelligence operations undertaken by countries with the largest and most capable intelligence services in the world**: China and the Soviet Union and its satellites, and their successors. This means that unlike an independent criminal operation, the drug-traffickers who built the business have and continue to have at their disposal the assets and resources of various states and governments, together with the benefit of open and unlimited sanctuaries in which to hide, plan, finance, organise, recruit, and train for the next phases of their collective offensive.

*Secondly*, the plague has been able to flourish because it has been politically protected. The protection that the US Government, for instance, has provided – free of charge – has been well documented in the cases of China, Russia, Bulgaria, Cuba, Mexico, Colombia and the former Czechoslovakia, to name a few of the countries involved. Moreover, the corruption of drug money is so pervasive that it has truly become a serious question to ask whom one can trust any more – and not just in foreign countries, but, for Americans, in the Federal Departments and agencies, and in Congress as well. Why have no Government records on the drug-trafficking and money-laundering activities run out of Mena, Arkansas, been released or *even investigated* by Congress or by the Office of the so-called 'Independent Counsel', and why have US election financing links to drug money-launderers, to the Palestinian Authority and to Chinese interests, not surfaced properly?

*Thirdly*, the drug plague has been free to develop without constraint because the money-laundering dimension of drug-trafficking has been organised – not just tolerated or enabled, but *organised* – by the international financial community, and by national (US) banks as well†. There is no way such a multi-trillion dollar financial stream could exist without the active and knowing assistance of banks and financial institutions, the laundering and 'investment' profits of which represent an estimated 15 to 20 percent of their aggregate annual profits. And by 'international financial community', I do not just mean banks and bankers. Of equal importance, and functioning as integral elements of the international financial community, are associated investment advisers and companies, accountancy firms and specialists, and – most importantly of all – the associated **lawyers and legal firms** upon whom the banks are critically dependent.

† *Editor's Note*: A case in point was highlighted in a report published by the US General Accounting Office (GAO), the accounting and investigative arm of Congress, on 4th December 1998. In a vivid example of how banks allegedly flout the law while maintaining deniability and appearing to uphold it, Citibank was reported by the GAO to have secretly transferred between \$90 million and \$100 million of alleged drugs money for a Mexican client without examining the source of the funds, or the client's financial background. The GAO concluded *inter alia* that Citibank, now part of Citigroup, failed to follow its own procedures against money-laundering, and 'facilitated a money managing system that disguised the origin, destination and beneficial owner of the funds'. The GAO had responded to a request by Senator John Glenn, the astronaut, to look into reports that up to \$100 million was laundered out of Mexico to Citibank accounts in London and Switzerland. A separate investigation was being carried out by the US Justice Department. The GAO report revealed that Citibank's private banking unit had established an offshore private company to hold its client's assets, had waived bank references, had allowed the client to use a different name to transfer funds from Mexico, and had failed to prepare a financial profile on the prominent client in question. The bank earned about \$1.1 million in fees associated with its running of the relevant accounts. A spokesman for Citigroup, cited by *The Daily Telegraph* of London [5th December 1998], insisted that the report 'contained errors of fact and interpretation', adding that 'we have looked into the matter ourselves and have found that neither the company nor any employee has violated the law. We're cooperating fully with law enforcement authorities'.



Such lawyers hide behind their protection of respectability and the 'rule of law': but they are whited sepulchres, hypocrites and active participants in this evil business. For this reason, it was encouraging to be able to read in the British press<sup>5</sup> in late November 1998 that Detective Chief Inspector Simon Goddard, the head of the organised and economic crime unit at the National Criminal Investigation Service [NCIS] in London had revealed that lawyers from at least six large law firms were in the process of being investigated for alleged money-laundering on behalf of drug-traffickers and other organised criminals. Reporting the essence of an interview given by this top British law enforcement officer in *The Lawyer* magazine, Mr Goddard explained that several law enforcement agencies, including a number of UK police forces, were investigating the handling of profits from drugs, gun-running and violent gangster-style activities. 'These firms are actively working on behalf of organised crime. We know who they are [the lawyers concerned]. We are aware of some of their activities, and we are at varying stages of our investigations. We certainly have lawyers who perform the rôle like an old *consigliere* in the mafia films. They know who their clients are and they know how their clients make their money, and they know it isn't from a legitimate activity'.

Sources at the NCIS further confirmed that the lawyers and the firms concerned were located in the City of London, and elsewhere in the British capital. In one case, the whole of a small firm had been identified as a front for money-laundering. In other cases, it was suspected that lawyers in some large firms were accepting illicit funds and using their positions in respectable concerns to hide their activities. Typically, the funds are co-mingled with other funds in the firms' clients' accounts, and then transferred as instructed by their drug-linked 'clients'. But of course any suspicious money transactions must by law, in the United Kingdom, be reported to NCIS. Out of 14,500 reports filed under the relevant UK legislation in 1997, precisely 240 were from solicitors (attorneys); and NCIS told *The Guardian* newspaper that many British lawyers were 'failing in their legal and moral obligations'<sup>6</sup>. The newspaper also confirmed that it had been told by a spokesman for NCIS that 'we have intelligence on at least six law firms we believe to be involved in money-laundering'. Police believed that 'the money is wired to solicitors, who put it in clients' accounts in London. It is then transferred to offshore accounts or trusts'.

As General Sejna described the position while he was alive, the money-laundering contacts in the various banks selected to provide 'banking services' were set up by the bankers themselves. Background security checks on the individuals who were to handle drug money transactions in the banks were run not only by Soviet counter-intelligence, but also by one of the Israeli intelligence services, Mossad, as well. **The bankers were so integrated into the operations that secret meetings took place in Prague between the Soviets and the international financiers concerned, every week. General Sejna knew this because secret villas under his control were used as the locations for most of the Soviets' meetings with the bankers involved. In other words, Western bankers have knowingly participated in this destructive, Leninist revolutionary activity from the outset of the drug offensive launched by Soviet and Chinese intelligence to destroy the West.**

*In the fourth place*, the explosion of the drug scourge has been facilitated by the encouragement and complicity of confused intellectuals of the Left, whose power base also controls, or has achieved mind-hegemony within, the marketplace for ideas<sup>7</sup>. This is no accident, of course, since it has been a consequence of the parallel revolutionary drive to destroy values, religion and morality throughout the targeted West, to which brief references have been made. The drug plague expanded between 1965 and 1980, when drug

usage in the West first became rampant, to a significant degree because drug use was popularised by intellectuals in academic settings and because these people published books promoting drug use via permissive messages and a perverse and wilful insistence that there were no bad drugs, only ill-informed drug *users* – and because such permissive works outnumbered those stressing the biological and social dangers by a ratio of 50 to 1<sup>8</sup>.

*In the fifth place*, people have been mesmerised – brainwashed by politicians, governments, news media, and academia – into thinking, as noted earlier, that it is *they themselves* who are the cause of the crisis [see page 155]; that if people did not use drugs, there would be no drug scourge, that their governments have all along been hard at work fighting the plague, and that the public should not become involved at all, since it is all so horribly dangerous. Depend on us, we have the task covered, and all we need is more time and money, US officials routinely tell Congress. Certainly, drug users and abusers are not without fault, and are themselves in danger of perdition; but they would have been far less vulnerable if they had enjoyed the benefit of principled responses and retaliation by their governments – and had not the enemy been working overtime to destroy Western culture, beliefs and values, and to subvert education.

Today, with the further intent of continuing the charade and to avoid reality (and responsibility), people ask: 'But are they – the Russians, Chinese, Cubans, and their many surrogates, still involved?'

Certainly, there have been significant changes. However, there is not *one* identifiable change that suggests any diminished Soviet, Chinese, or Cuban involvement. What has happened is that production and trafficking have entered an even more aggressive phase aimed at expanding drug usage and corruption on a world-wide scale, without restriction. Drug-trafficking is more open, in a real sense paralleling the sudden 'emergence' of Russian organised crime as a 'new' phenomenon in industrialised countries<sup>9</sup>.

Indeed, it is hard to imagine a reasonable hypothesis as to why the Russians, the Chinese or Cubans, would not be as active today as ever – indeed more so. Consider:

*First:* The KGB/GRU is as alive and as 'well' as ever, and enjoys greater power than before the implementation of 'collapsible Communism'. Why on earth would they walk away from the most profitable business and the most effective political compromise, blackmail, and influence operation the world has ever seen? What bureaucracy ever went out of business without being *forced* out of business, when the parent organisation is alive and healthy and so powerful that it has become a 'state within the state' [see page 162] (although that in itself is nothing new at all)?

After all, the drug-trafficking operation, '*Druzhba Narodov*', produced scores of billions of dollars in secret revenues each year. **These revenues were controlled by the KGB and never went near the official government budget. This converted the KGB/GRU into a fiscal powerhouse independent of the state.** There is no way these revenues would have been discarded, and there was no-one on the outside with the knowledge and power who could ever question or challenge their provenance.

*Secondly*, the political blackmail and compromise dossiers on people holding positions of power around the world, which became crucial components of the narcotics trafficking products were – and still are – exceedingly valuable assets for use in support of Russian foreign and financial policy. Such files and operations were so valuable that prior to the controlled geopolitical 'changes' which the KGB/GRU itself orchestrated, control of global drug operations was shifted to Moscow and the key files were moved to Russia. *Asset preservation* was a hallmark of KGB/GRU activities on the

eve of the controlled disintegration of the Stalinist model ('collapsible Communism').

*Thirdly*, nor has the manner in which secrecy has been preserved in critical areas, been significantly changed since 1989-91. Much information has emerged, but next to nothing has been revealed of strategic importance. Where important strategic information has been identified, the means used to safeguard any leakage have remained as strong-armed and as ruthless as was always the case under 'overt Communism' prior to 1989-91.

*In the fourth place*, there is no coherent reason for the managers of the global drugs offensive to cease and desist – since Western Governments, having protected the drug trade for thirty years and more, are not about to change their attitudes. It is still contrary to the policies of most Western Governments to say *anything* negative about, or to embarrass, the Soviets or the Chinese. Britain has leant over backwards to placate the Chinese, even though it has handed them the world's primary drug entrepôt, Hong Kong, with its stupendous power and infrastructure, on a plate. And, in an unbelievable repeat of misjudged joint US-Bulgarian operations to help the Bulgarians curb drug-trafficking across their borders in the 1970s, an initiative that would have been ludicrous had it not been so tragic [see Chapter 9], the US intelligence communities (FBI and CIA) have opened offices in Moscow so that they can work jointly with the KGB in 'fighting organised crime, drug-trafficking, and international terrorism' – with no apparent understanding of the extent of KGB and GRU involvement in each of these three activities.

The net result of this folly is as follows: *first*, the Soviets/Russians have been well briefed on Western crime-fighting methodology, attitudes and responses. *Secondly*, they have been kept well-informed about initiatives considered and mounted by US intelligence to 'combat crime', enabling the Russians to ensure that their criminalist operatives have been able to remain *several steps ahead* of Western intelligence at all times. To keep US and Western intelligence agencies 'on side' whenever doubts may appear to have arisen in Western minds about the integrity and/or the sincerity of Russian activities and intentions, snippets of otherwise unobtainable, but usually expendable, intelligence, have been vouchsafed from time to time for the benefit of Western intelligence, so as to make sure that this ill-advised 'cooperative' crime-fighting activity could continue to be justified in Western capitals. Again, such behaviour is nothing new at all: *it is standard Leninist deception practice*.

Since 1990-91, Lenin's 'criminal state' has been exported as a model for the whole world. Drug-trafficking is more aggressive, widespread and open than at any time in human history. Russia itself has become a hotbed of crime and corruption. Organised crime controls over forty percent of private businesses, sixty percent of state-owned companies, over half of Russia's commercial banks (a large number of which were to have been closed down in late 1998, having outlived their 'usefulness'), and eighty percent of the shops, hotels and service industries in Moscow. The KGB is widely credited with being at the centre of these criminal operations, and their primary benefactor – a development which led one Russian writer, Yevgenia Albats, to be the first to label the KGB a 'state within a state'<sup>10</sup>. Russian organised crime has also experienced phenomenal growth in the United States and in Latin America.

The Russians also forged with the speed of light, ties and alliances with the mafia, Japanese *yukaza*, Chinese triads, Jamaican 'Yardies' (some leaders of which group were seized in a dramatic police drug-bust in central London on 30th November 1998: *see also page 164*), and other drug-trafficking organisations around the world. The KGB/GRU's political influence operations must also remain of global scope – as an inevitable and nat-

ural consequence of the tens of thousands of dossiers they hold on people of power and influence in the West and elsewhere, who have been corrupted by the drug trade.

In 1991, the Russian central banking system began printing roubles as fast as it could. Naturally, the value of the rouble tumbled. Suddenly, the law was changed. Early in 1992 it ceased to be illegal any longer to hold dollars in Russia. Overnight, US dollars became the preferred currency throughout the 'former' Soviet Union. One newspaper reported as early as mid-1993 that there were more paper dollars in circulation in Russia than in the United States – up to \$100 billion in dollar bills.

Where did all the dollars circulating in the 'former' Soviet Union come from? Certainly, they did not originate among tourists or businessmen. Since US dollars became the preferred currency in Russia, between \$1.0 and \$3.0 billion in dollar bills have also been leaving Russia every month (at least \$50 million a day), destined for foreign banks. Russian crooks now own Cyprus<sup>11</sup> and are moving into Malta. Their preferred money-laundering and sequestering locations these days are indeed Cyprus, Lebanon, the Cayman Islands (especially via certain Canadian banks), and to a lesser extent, Switzerland and Liechtenstein. Yet notwithstanding this immense outward flow, there are still thought to be more paper dollars in circulation in Russia than in the United States.

While all this unconstrained criminal activity has been developing and maturing over the past decade, the West (and East, but mainly the West – and within the West, primarily Europe) has been pouring massive financial and technical assistance into Russia. The socialist European Union has been particularly conscientious in this regard. All of which brings to mind the manner in which the drunken sailor spends his wages. Why would *anyone*, knowing the situation in Russia and the nature of the Russian leadership and culture, provide 'economic' assistance, or even think they could do clean and profitable business, in accordance with Western standards and norms, with the Russians – especially recognising that Western businessmen and financiers are generally not naive in pursuing their normal activities? Clearly, *there must be a dimension which is not widely understood*. Perhaps the long-term background and nature of Soviet-Western financial cooperation may have some connection with the compromise dossiers mentioned above. We have seen that Western bankers were 'integrated' into the Soviet drug infrastructure from the beginning. Given the predominant participation of Soviet/Russian and Chinese intelligence in these nefarious activities, it would be incredible if the dossiers were not in active use today, and if their use of blackmail and other methods of compromising Western and European Union politicians, bankers, bureaucrats, policymakers and agents of influence were not as commonplace and routine as in the past.

The worst is yet to come. We have observed the growth of an immense international narcotics business since the early 1960s. This business represented an outward manifestation of two state-run intelligence operations, those developed by the Chinese and the Soviets, in collaboration with their East European satellite surrogate services. The operations concerned were fully integrated from the outset, with international finance, law and politics. In parallel, the world experienced the headlong growth of what is now referred to as global criminal capitalism ('criminalism')<sup>12</sup>.

This embraces narcotics trafficking, organised crime, illegal arms sales, the theft of national resources, income tax evasion, and pornography. And as explained above, almost the instant the Soviet Union 'disintegrated', Russian banks, managed and staffed in large measure by former KGB and GRU personnel, began proliferating, while sizeable Russian crime syndicates surfaced all over the world – forging, as noted, almost instant-

neous ties with mafia networks (which the KGB/GRU knew well, of old), with drug-traffickers and with other organised criminal groups everywhere. Indeed, the links between the Soviets and Italian mafia groups had long historical roots: for instance, Soviet Georgia had traditionally provided Moscow's mafia connections in Italy with hunting privileges – so that when the time came for Eduard Shevardnadze to seek help from Western sources to cement his brutal régime, it was to Italian mafia-linked allies that his government turned for special expedited deliveries of rubber truncheons (the Italians make excellent rubber truncheons used for 'crowd control' purposes). Is all this just mere coincidence?

In 1996, annual revenues derived from global criminalist activities were estimated by the World Bank's experts at \$1.2 trillion, of which \$500 billion were thought to represent profits. These were and remain highly conservative estimates. The narcotics trade alone is in the \$500 billion or more range. A more realistic estimate today would probably be of the order \$2 trillion per year, as already noted – with \$1 trillion, more or less, by way of straight profit; and some experts would raise these estimates further, towards \$3.0 trillion annually in turnover. That is to say, governments, banks and the global criminalists are arranging the transfer of at least \$1.0 trillion every year of national and private wealth into the bank accounts of the global criminal fraternity – a massive transfer of wealth for which there has been no historical parallel. **This scandalous state of affairs has been continuing for several decades on an ever expanding scale, and the power conferred as a consequence threatens to destroy governments, democracy and the international banking system itself.** Drug money also weakens and corrodes competition by favouring some economic agents at the expense of others.

Two trillion+ dollars a year (a conservative figure, as noted) over the past two decades, excluding interest, would imply that more than \$40 trillion will have been added to the wealth of the global criminal classes, including the managers and representatives of Lenin's continuing world socialist revolution. Most of this money has been invested in property, bonds and stocks, and each year a further trillion or more dollars is added to the pool. Given that even these data are believed by some experts to understate the position, the probable value of accrued drug money lodged in the international financial system worldwide probably now exceeds this \$40 trillion estimate by a considerable margin†. The associated corruption among financial institutions, investment advisory services (including stock brokerage houses and mutual funds), prestigious law firms, and among the political classes, has by now long since reached epidemic proportions. And this transformation has been accompanied by minimal publicity, with the exception of extensively publicised, but intermittent, 'drug busts', such as the sizeable operation mounted by British law enforcement agents on 30th November 1998 against Jamaican 'Yardie' operatives [see page 162], which resulted in the seizure of hard drugs and weapons<sup>13</sup>.

In December 1996, *Business Week* gave some exposure to what it termed the 'tip of the iceberg', in a feature about drug money corruption on Wall Street, entitled 'The Mob on the Street'. The article explained:

'In the canyons of lower Manhattan, one can find members of organised crime, their friends and associates. How large a presence? No-one – least of all regulators and law enforcement – seems to know. The Street's reputed ranking underworld chieftain, Abramo, is described by sources familiar with his activities as controlling at least four

† *Author's Note:* One of the principal hidden motivations behind the contemporary drug legalisation drive is to procure the instantaneous legalisation of drug profits and to eliminate the potential risks of disclosure and exposure – that is, to legitimise accumulated illegal drug-derived fortunes.

brokerages through front men, and exerting influence upon still more firms'<sup>14</sup>.

This glimpse of the obvious, if we stop to think what must be happening, will also be applicable, for instance, in banking, among the leading US law firms (as in London), and within the policymaking community, as well. Moreover few areas of US life today can be described as dependably honest any more. The decadence is pervasive, the money involved is colossal, those who control it are excessively corrupt and lacking in conscience, and minimal attention is paid to the reality that the corrupting influence of drug-related activities and money must, by now, have progressed so far that few areas of economic activity can be assumed to be immune. In some countries – Japan, for instance – corruption is an openly acknowledged way of life: indeed, there, the entire Establishment and the corporate and financial systems appear to have been tainted almost to the point of no return.

In Switzerland, the Federal Prosecutor, Carla del Ponte, has said that the value of just the Russian criminal 'profit' money lodged with Swiss banks exceeds \$40 billion<sup>15</sup>. The \$40 billion is of course just the proverbial tip of the iceberg. How large is the *total* amount of illegal booty in Swiss banks? Probably well over ten times as much, perhaps as high as 100 times as much. And this is just Switzerland. The same conditions, greater by an order of magnitude, prevail in the banking systems of Liechtenstein, Luxembourg, Great Britain, Germany, Spain, all manner of tax-free havens and offshore islands, and the United States. That is, the \$40 billion officially identified as being lodged in Switzerland is merely a small proportion of the total value of tens of trillions of dollars accumulated by the global criminalists, and sequestered with commercial and private banks all over the world.

At the end of November 1998, Sr del Ponte said that he was 'convinced that Russian organised crime is a threat for Switzerland. It is enough just to look at at the main criminal investigations being carried out by our [cantons] ... and these investigations are only the tip of the iceberg'. He was speaking in the context of the commencement of legal proceedings against Sergei Mikhailov in Geneva. Mikhailov was suspected of heading Moscow's *Solntso* criminal network, linked to another network run by the Russian mobster Vyacheslav Ivankov, who was sentenced to 115 months in jail in New York in mid-1997. These facts, though, are nothing to be surprised about: for Soviet/Russian intelligence has been integrated with the 'mafia' classes in the 'former' Soviet Union for decades: the simplistic Western notion that the Russian 'mafia' is 'stand-alone', is disinformation. Russian organised crime is the KGB/GRU, and its financial assets are handled and moved by the KGB (or its successors: but the KGB has been relabelled many times since 1917 and all knowledgeable experts these days refer generically to the 'post'-Soviet intelligence community as the KGB or KGB/GRU).

Switzerland has historically been used by the Russians primarily to corrupt Swiss banking and to obtain information on others who use Swiss banks. The Russians (Soviets) themselves have historically preferred to use banking facilities provided in countries which are less obvious than Switzerland – such as Sweden, where Lenin is reported to have stopped to draw \$50 million out of a Swiss bank to help finance his takeover of the fledgling Kerensky government and to line his own pockets at the same time. Incidentally, all the original Soviet revolutionaries lined their own pockets: when Stalin ordered his police chief, Genrikh Yagoda, to provide him with a list of their secret numbered bank accounts in Switzerland, Yagoda made the elementary mistake of assuming that he was Stalin's *only* source of information, and duly excluded the details of his own secret bank

account in Switzerland. So, after insisting that he, Yagoda, must also comply, Stalin rewarded him also with a bullet through the head. The only senior figure he spared was Lenin's widow, Krupskaya, who was nevertheless compelled, on pain of a similar fate, to repatriate the 'assets of the revolution' which Lenin, its primary author, had himself salted away 'corruptly' in Swiss bank accounts.

It was not by accident that sizeable Soviet deception activity was directed at 'keeping the [spot]light of publicity away from our friends, the banks', as Jan Sejna explained to me on several occasions. And he should have known. For not only was Sejna firmly coupled to Soviet drug-trafficking and organised crime transactions, but he was also a member of a special deception committee which specialised in reviewing past deception operations and in formulating guidelines for the forthcoming five-year deception plans which had to be prepared for each successive Party Congress, building on prevailing State strategy and policy.

Those who have constructed this global criminalist empire with its integrated influence and corruption potential are not nice people to know. They are, self-evidently, quite ruthless, and typically make prospective or actual collaborators a type of offer that few can refuse: **'Which do you prefer, gold or lead?'** They are extremely well informed, thanks to a reliable and integrated global intelligence network; and those with whom they do business – financial institutions, investment houses, accountants and lawyers – are *careful to keep them well informed*. Privacy, ethics, and not passing on insider information, are practices that *do not apply to them* – only to normal investors; and these people are far from normal: *they do not fancy losing*, and they have no qualms about taking such steps as they may deem necessary to ensure and guarantee their 'success'. Bank records, secret decisions, State decisions, private legal matters, and so forth, are **open book to the international criminal élites** – of which a significant fraction consists, in reality, as we have seen, of representatives of sophisticated, cut-throat, foreign intelligence services.

It is **critical** for the survival of Western civilisation, and in order to slow down its rapid descent into pervasive, corrosive globalised criminality and corruption, which is the grim outlook for the 21st century, that Western countries begin, *even at this late hour*, to understand the true nature of the illegal drug crisis – which means **correctly analysing its sources, especially its political origins, its enabling mechanisms, and its related criminal dimensions**. Unless the nature and provenance of the challenge is finally understood, the appropriate strategy and tactics to address it will **never** be formulated. The drugs scourge continues to escalate because the measures so far developed to counter it do not take account of the geopolitical dimension – that is to say, of the malevolent, revolutionary intent which drives it.

As a consequence, the measures taken, in the United States, Britain and elsewhere, to address the scourge, have remained essentially irrelevant and ineffective, although law enforcement developments in Britain in late 1998 were decidedly encouraging. **The plague continues to spread because the West is the victim of a deliberate, sustained and relentless offensive planned and directed by enemy intelligence which Western policy-makers appear not to begin, or care, to understand. Some Western leaders even share the ideological objectives of the perpetrators of the drugs offensive.** To make matters much worse, the *values* of many policymakers have been fatally eroded; and if one has no real values, one is not emboldened to defend anything at all, let alone with conviction and vigour. Policymakers too often stand for nothing and fall for everything – for every false assessment, for every piece of fashionable disinformation and for every diversionary tac-

tic which is intended to add to the confusion and which clouds the truth: namely, that **the West has been targeted as an act of war, and is the victim of a sustained offensive.**

Obviously, the longer this perversity and blindness continue, the more powerful and insuperable will the forces which help to perpetuate this blanket offensive, become. Soon, they will wield almost total power in some Western countries. The European Union's collectivist structures, with their pork-barrel traditions and inclinations, are conspicuously vulnerable to drug-related corruption. Politicians and policymakers will continue to be blackmailed. Bankers will continue to enjoy the proceeds of laundered money and to turn a blind eye to what is happening. Many regulators and investigators will persevere fruitlessly with their narrow, legalistic perspectives. Much of the media will continue its inexcusable *de facto* conspiracy of silence, while some newspapers, such as *The Independent* in London, will continue perversely to promote drug liberalisation. A detailed search of the distasteful documents arising from the 'work' of the Office of the Independent Counsel, Kenneth W. Starr, in connection with the degraded behaviour of President Clinton and others in the White House, has revealed that two single-word mentions of drug-taking there, to which initial reference was made in a CNN broadcast, have been erased from it<sup>16</sup>. This suggests a perverse collusion – as though the drug dimension, like the parallel, and glaring, security issues arising from that hideous scandal, was somehow taboo.

Is this sort of official denial simply to be expected of a society which either openly or subconsciously recognises that it has been subverted, fleeced and duped – not least by those in whom our trust has had to be placed?

Corruption associated with drugs is *so corrosive* that, short of the targeted societies acquiring and wielding powers from which democracies, however inept and degraded, must naturally flinch, it will, sooner, rather than later, destroy democracy itself. Indeed, the very means which may now be needed to purge the West of the accumulated consequences of the drug offensive which has been waged against it for several decades, could themselves be considered a threat to democracy and freedom. No doubt the evil architects of the drug offensive understood that potential of their strategy only too well from the beginning. They recognised that democracies would never be able to summon the backbone to purge themselves of this evil, let alone that it originated as an act of warfare.

The war on drugs has not failed: it has never existed. **There has been no war on drugs in the United States.** And look at what has happened in countries like the Netherlands, where a permissive approach has proved a total, filthy and embarrassing failure – and in Switzerland, where a sudden deterioration in social conditions occurred in response to the introduction of more 'liberal' attitudes and provisions from late 1994 onwards. Like Cyprus, which Russian criminalists have colonised following the sudden arrival there in the late 1980s of the son of the former Soviet Foreign Minister, Andrei Gromyko<sup>17</sup>, Switzerland remains a prime money-laundering centre for Soviet/Russian intelligence community-linked criminals.

Recalling what happened to Lenin's colleagues after Stalin had demanded the repatriation of the 'assets of the revolution' which they had salted away in Swiss bank accounts [see pages 165-166] a similar (perhaps, but not necessarily, less drastic?) fate may well have awaited (in late 1998) the so-called 'oligarchs' (KGB/GRU officers and top Communist Party officials and nomenklaturists), who had been given temporary custody of the 'assets of the state', as part of the façade of 'post'-Communism presented to the West in 1990-91. This represented a truly novel form of Lenin's model of 'state-controlled capitalism'; and at



the time of going to press, that model was in the process of being rolled up or substantially 'modified', just like its predecessors – Lenin's notorious 'New Economic Policy' [NEP], or Khrushchev's 'peaceful coexistence', or Brezhnev's *détente* scams.

In Switzerland, though, at least the population has had more sense than its bewildered political and policymaking élites. On 29th November 1998, Swiss voters decisively rejected a dangerous and misguided proposal for the legalisation of marijuana, heroin and cocaine – turning aside arguments that an officially-managed narcotics network would help to curb drug-related crime. Swiss voters saw through these false arguments, which would promote drug use, wholesale corruption, scandal and decay – as has happened so conspicuously in Amsterdam, once a jewel of mediaeval architecture that has descended into an abyss of filth and decadence. Almost 74% of Swiss voters rejected the proposals in a referendum – in the face of Federal claims that cannabis was regularly consumed by some 500,000 people in the country. Provocatively, François Reusser, the spokesman for a committee which had sponsored the initiative 'for a sensible drug policy', argued not only that Swiss voters had 'reacted emotionally to the heroin aspect', but also that the outcome might have been different if marijuana smokers had gone to the polls<sup>18</sup>.

That statement showed that these drug-pushers are not merely misguided: **they are also stupid**: anyone who knows anything about the effect of cannabis on the body, on the brain and on attitudes, would be aware that smokers who are half-stoned out of their minds, do not cooperate if they can avoid doing so. There is, however, no end to the perversity and folly of the drug liberalisation lobby: the committee, supported by Socialists, permissive doctors, lawyers [see above] and drug 'experts', insisted that it would embark forthwith upon a fresh campaign to soften-up Switzerland's voters and to collect the necessary number of signatures under the Swiss referendum system to be able to force yet another ballot on the legalisation of cannabis. For the standard *modus operandi* of the revolution is to try, try, and try again until the referendum system delivers the 'correct' answer.

Why, one is entitled to wonder, are such people *so anxious* to achieve this diabolical objective? Not, we may be sure, because they care a damn about the victims of drug abuse, or about their physical, mental and spiritual welfare. But rather because the revolution never, ever, surrenders its perverse agenda. And because those promoting this scourge are themselves corrupted beyond perdition, they wish to bring the whole world to perdition along with them. It is the solemn duty of those who know and understand this, to resist their nefarious activities with all determination and might – and for political and policymaking leaderships to cast aside all hesitation and to throw the resources of the state into this prospectively final battle for the survival of civilisation<sup>19</sup>. ■

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2. 'High Prevalence of Recent Cocaine Use and the Unreliability of Patient Self-report in an Inner-city Walk-in Clinic', Sally E. McNagny, MD, and Ruth M. Parker, MD, *JAMA*, February 26, 1992.
3. Office of National Drug Control Policy, *A Plan For Estimating the Number of 'Hardcore' Drug Users in the United States, Preliminary Findings*, Fall 1997.
4. Joseph D. Douglass Jr., 'Assessing Progress in the 'War on Drugs'', *Journal of Social, Political, and Economic Studies*, Spring, 1992.
5. See 'Lawyers 'launder drugs cash'', *The Daily Telegraph*, London, 24 November 1998; and 'Gangland money-laundering inquiry into City law firms', *The Guardian*, London, 24 November 1998.
6. 'Gangland money-laundering inquiry into City law firms', *The Guardian*, London, 24 November 1998, *op. cit.*
7. See U.S. Congress, House of Representatives, *Report of the Special Committee to Investigate*

*Tax-exempt Foundations and Comparable Organisations* (Washington, D.C.: U.S. Government Printing Office, December 16, 1954); René Wormser, *Foundations: Their Power and Influence* (New York: Devin-Adair Company, 1958; reprinted by Covenant House Books, Sevierville, TN, 1993); and William H. McIlhenny II, *The Tax Exempt Foundations* (Westport, CN, Arlington House, 1980).

8. Gabriel G. Nahas, M.D., *Cocaine: The Great White Plague*, Ericksson, 1989.

9. That there has been no strategic revolutionary discontinuity (as opposed to a Leninist discontinuity) has been carefully explained by the genuine Soviet defector, **Anatoliy Golitsyn**, in his two famous books *New Lies for Old* [Dodd, Mead, New York, 1984], and *The Perestroika Deception* [Edward Harle Limited, London and New York, 1995 and 1998]: see the leaflet enclosed at the back of this volume: and page VI. Contact the publishers of this book for details.

10. See, for instance, Yevgenia Albats, *The State Within a State*, Farrar, Straus and Giroux, New York, 1994.

*Editor's Note:* Care must nevertheless be exercised when considering the work of this author, who was granted privileged access to Soviet/Russian intelligence files and sources. Her work formed part of an extensive corpus of materials which served the purpose of 'explaining' the continued existence of the powerful KGB/GRU ('successors') in the context of the subsequently exposed deception that the Communist Party of the Soviet Union (CPSU) no longer existed. See *Soviet Analyst*, *passim*, and the CPUSA journal *Political Affairs*, for refutations of that lie, which is a central component of the strategic deception surrounding 'collapsible Communism'.

11. See *Note 17* below.

12. 'Criminalism', a word coined by the Editor for use in *Soviet Analyst*, means 'the use of organised criminality in the interests of strategy'.

13. Various UK press reports, 1st December 1998.

14. Gary Weill, 'The Mob on the Street', *Business Week*, 16th December 1996, page 93.

15. 'Swiss begin fraud trial of Russian mafia suspect', *The Washington Times*, 1 December 1998.

16. *Editor's Note:* The transcripts of Grand Jury testimony and related documents, contained in seven separate volumes published for the Office of the Independent Counsel, Kenneth W. Starr, in connection with the Clinton-Lewinsky scandal, were intensively examined for two known references to the taking of drugs in the White House. These had been explicitly referred to in a CNN broadcast monitored by Rachel Ehrenfeld, the respected drug and money-laundering expert. The Editor found that these references had been expunged from the formal printed record.

17. *Editor's Note:* Gromyko Jr, who opened up Cyprus as a leading Russian money-laundering centre for Russian criminalist funds in the late 1980s, has remained in Cyprus. His name is found in the Limassol telephone directory. Before surfacing in Cyprus, he served as head of the Soviet Academy of Sciences under Gorbachëv, a post from which he mysteriously resigned 'for health reasons'. This intelligence offers two insights of exceptional importance which support the analysis contained in the present work. *First*, it provides yet further confirmation of the lack of any true discontinuity between the Soviet régime and its 'successor' – to be added to the immense volume of evidence that the discontinuity was Leninist (i.e., deceptive, dialectical) in character, as explained by Anatoliy Golitsyn in *The Perestroika Deception* [*op. cit.*]; and *secondly*, it reinforces an impression which emerges from *Red Cocaine* – given that the KGB/GRU maintained its own budget financed in part by drug proceeds, thus becoming a 'state within a state' – that the sheer scale of drug operations had become so immense that they provided *their own justification* for discarding the rigid Stalinist model as a prerequisite for enabling criminalism to achieve its full potential as a mechanism for global revolution. This is not to say that this was the primary justification, but merely to argue that a proper understanding of the Soviet-Chinese drugs offensive is a necessary precondition for forming a coherent assessment of continuing Leninist world revolutionary strategy today.

18. 'Swiss voters turn down legalization of narcotics', *International Herald Tribune*, 30 November 1998.

19. See also Joseph D. Douglass Jr., 'KGB Alumni, Terrorism and Drug-trafficking', *Conservative Review*, August 1992, and 'Organised Crime in Russia: Who's Taking Whom to the Cleaners?', *Conservative Review*, May/June 1995.



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## FURTHER READING SUGGESTIONS.

As the years have passed, more and more evidence has accumulated that the global drugs scourge is a *primary* instrument of the continuing Leninist World Revolution. No genuine discontinuity occurred in 1989-91 – merely a *Leninist* discontinuity, stage-managed by Soviet intelligence under a strategic collective fronted by Gorbachëv, whose long political pedigree stretches back to the 20th Congress of the Communist Party of the Soviet Union [CPSU] held in 1956, and the 22nd Congress of October 1961 at which the revitalised long-range strategy was approved ready for presentation to the Congress of 81 Communist Parties (6th December 1961). Nor has Western intelligence monitored changes in the general directions to the KGB/GRU from the continuing Communist Party of the Soviet Union [CPSU]†. Just about the only matter of substance which remains to be resolved is whether the Cubans were correct in their assessment, reported in this book, that targeted Western countries could be ‘softened-up’ with drugs for takeover from within, over a period of 35 years – or whether the Soviet opinion view that 50 or 60 years (two generations) would be necessary, was nearer the mark.

*Red Cocaine* provides the essential background information upon which the serious student of the continuing, relentless Leninist Revolution – which seeks fulfilment of the demented idea of World (Communist) Government, a sure recipe for global dictatorship – can profitably build a coherent understanding of the diabolical intentions of Lenin’s heirs, whether operating overtly or, as Lenin himself advocated, ‘working by other means’ (i.e., covertly, as is more extensively the case today). One means of continuing a study perhaps begun with this book is advertised on the final page, where we provide owners of *Red Cocaine* with the opportunity to subscribe, at a specially reduced rate, to *Soviet Analyst* – the *only* journal which specialises exclusively in revealing and explaining the essence of the Soviet-Chinese strategic deception and long-term intelligence offensive against the West. In the pages of *Soviet Analyst*, you will find no ‘politically correct’ ideas whatsoever – not least because the origins of ‘political correctness’ have been definitively traced – in the pages of *Soviet Analyst* itself – to the bowels of the Soviet Communist Party apparatus.

For an essential perspective on the strategic deception offensive – the essence of which is convergence of the West with the East, but on the *East’s* terms, not ours – the reader’s attention is directed to *The Perestroika Deception: The World’s Slide towards the ‘Second October Revolution’* [‘Weltoktober’], by the genuine Soviet defector, **Anatoliy Golitsyn** – famous author of the prophetic work, *New Lies for Old*. Mr Golitsyn’s second book, originally published by Edward Harle Limited in 1995, and republished in 1998, is as prophetic as his first remarkable volume. For details, see the reverse of the *Soviet Analyst* leaflet insert at the back. ■

† Among the sources to which any sceptic is directed for confirmation of the continuing existence of the Communist Party of the Soviet Union long after the alleged ‘collapse of Communism’ and of the USSR in 1991, are the October-November 1994 and April 1995 issues of the CPUSA’s theoretical journal *Political Affairs*, which contain explicit references to the continuing existence and central importance of the CPSU. It ‘coordinates’ the operations of the fake ‘post-Soviet’ political parties. Western Governments, led by the British Foreign Office and the US State Department, chose prematurely to accept the demise of Communism and its associated pyramid of lies, including the new ‘democratic’ structures, at face value.

EDWARD HARLE LIMITED

# STATEMENT OF POLICY OBJECTIVES.

The well-known Irish-American author, Dr Malachi Martin, a friend of the publisher of the present work, has described it as '**a Luciferian fog**'. We were discussing the remarkable inability of intelligent, well-informed people, especially among the policymaking and media communities, to understand the *Leninist* significance of the 'changes' which overwhelmed the world in 1989-91, and which have permeated everything that has happened on the political, cultural, institutional and religious stages ever since. Malachi's term is appropriate indeed. He was referring, of course, to the ever more apparently supernatural dimension of the evils the world faces today, of which the global drug scourge and the relentless attack on morality and society's institutions are the most pernicious symptoms.

The Luciferian fog that has enveloped the minds of many Western observers, politicians, bureaucrats and pressmen has, since 1989-91, all but obliterated objective reality, which has been replaced – by the intent of Soviet intelligence – with a structure of false images and lies. Communism collapsed all of a sudden. Soviet military power is no threat. (Did not the 'former' Soviet Union and its Warsaw Pact allies sign a document on 19th November 1990 entitled the 'Joint Declaration of Twenty-Two States' which pronounced that the signatories – the NATO countries and those of the 'former' Soviet Bloc – were 'no longer adversaries'?). The CPSU ceased to exist. The mafia in the 'former USSR' is 'stand-alone'. Free enterprise has 'taken root'. The 'former' Soviet Republics are truly independent. **All these assertions are either wholly false or, at best, deliberately misleading.**

What in fact happened should have been as clearly evident to scholars of the Russian language as to the few Western students of Lenin who remained appropriately sceptical that the sudden, orchestrated 'changes' could have been anything but manifestations of intelligence operations designed to deceive the West. For the true Leninist, dialectical meaning of '*perestroika*' is of course '**reformation**', as in '*military formation*'. The whole world is now paying the price for its leaders' millennial failure to discern the deceptive revolutionary meaning of Gorbachëv's '*perestroika*'; and the destabilising consequences of this strategic failure will be a millstone round the necks of future generations.

**Edward Harle Limited** was established to publish books which address this failure and its evil legacy for Western civilisation. Its remit is to disregard 'political correctness' in all its insidious manifestations and to cut through the lies, the mis- and disinformation and the fantasies which bedevil our understanding of what is happening to our civilisation, and to explain *why* it is happening. For the only effective weapon of defence is **exposure**. ■

CHRISTOPHER EDWARD HARLE STORY, London, January 1999.

# SOVIET ANALYST

A REVIEW OF CONTINUING GLOBAL REVOLUTIONARY STRATEGY

*Soviet Analyst*, a strategic intelligence newsletter, provides a necessary antidote to fashionable, 'politically correct' and therefore confused thinking about revolutionary developments in the so-called 'former' Soviet Bloc countries, and their consequences for the whole world. Applying the analytical methodology explained by Anatoliy Golitsyn in *New Lies for Old* and *The Perestroika Deception*, this publication, established in 1972, reviews the activities of the continuing Leninist policymakers from the perspective of the implementation of their long-range strategy. It focuses on the rapid progress they are making, in the context of the false discontinuity of 1989-91 and the lie that Communism was 'abandoned', towards the realisation by stealth of Lenin's unchanged global revolutionary control objectives. For Lenin's heirs seek nothing less than the progressive weakening, decapitation and integration of nation states and their piecemeal replacement by intricate 'cooperative' cross-border and regional structures which are intended as part of the framework for World Government.

This 'New World Social Order' will, by definition, be a **global socialist dictatorship**. Those in the West – especially policymakers, bankers, churchmen and opinion-formers – who are collaborating *de facto* with the continuing revolutionaries in the furtherance of their continuing strategy of 'cooperation-blackmail' – whether *knowingly* as agents of influence, or *unwittingly* as what Lenin called 'useful idiots' – recklessly imperil the future of civilisation. They are providing a 'Red Carpet' for the revolutionaries who masquerade as their comrades-in-arms, but who secretly seek their downfall. Such collaborators disregard the evil reality of the contemporary 'war called peace'.

It was President George Bush who mindlessly recycled Gorbachev's Leninist phrase 'New World Order'. Other purveyors of this revolutionary slogan include Karl Marx and Henry Kissinger, who has remarked: 'NAFTA is a major stepping-stone to the New World Order'. And speaking at a United Nations Ambassadors' Dinner on 14 September 1994, Mr David Rockefeller observed: 'This present "window of opportunity" during which a truly peaceful and interdependent world order might be built, will not be open for long. Already there are powerful forces at work that threaten to destroy all our hopes and efforts to erect an enduring structure of global cooperation'. Whether Mr Rockefeller and similar *de facto* collaborators *understand* where their 'Red Carpet' policy is leading, is open to legitimate debate; what is clear is that 'global cooperation' in practice means, *and is intended to mean*, 'global collectivisation' – the very essence of Communism.

In 1932, William Z. Foster, then leader of the Communist Party USA, wrote in his book *Toward Soviet America* that the objective of Communism was the establishment of a 'New World Social Order'. In 1985, two Soviet *apparatchiks*, F. Petrenko and V. Popov, explained [in *Soviet Foreign Policy, Objectives and Principles*, Progress Publishers, Moscow] that 'the transition step to the "New World Order" involves merging the newly captive nations into regional governments'. In 1942, Stalin wrote: 'As growing numbers of nations fall to the revolution, it becomes possible to reunite them under a Communist world régime' [International Publishers, New York]. Lenin wrote that the Communists' aim was 'a future union of all nations in a single world... system'. This objective remains unchanged. 'The point is', says Yelena Bonner, the widow of Andrei Sakharov, 'that the Communist goal is fixed and changeless – it never varies one iota from their objective of world domination, but if we judge them only by the direction in which they seem to be going, we shall be deceived'.

*Soviet Analyst*, directed by Christopher Story, publisher of this book, circulates world-wide among official agencies, embassies and, professional analysts, the diplomatic profession, intelligence communities and informed observers. It is published on a prepaid annual subscription basis [for ten issues per Volume/series] by **World Reports Limited**, London and New York. **To subscribe at the specially reduced rate for owners of Red Cocaine, complete the enclosed order form and mail it in the reply envelope. To fax your order, dial: +44 [0]20-7233 0185 [London]; 212-679 1094 [New York]. ■**

# RED COCAINE

The drugging of America and the West

**T**he standard, uninformed, view of the contemporary drugs scourge, which is ravaging the minds and bodies of Western youth and thus degrading the gene pool, is that it 'just happened'. The financial rewards, according to that argument, are so enormous that there will always be evil forces willing to distribute narcotics for money. This complacent view is exploded by *Red Cocaine: The Drugging of America and the West*, which shows conclusively that the continuing Russian and Chinese Leninists have been using narcotics for several decades as a decisive weapon in the ongoing low-level warfare they are waging against Western civilisation. Their use of drugs as an offensive 'softening-up' instrument presupposes the lack of any discontinuity of Leninist intent and practice since 1917, and (crucially) since the orchestrated 'changes' of 1989-91, which were devised to mesmerise and mislead the world into believing that the World Revolution had collapsed. The narco-war is based upon a satanic strategy envisaged by Lenin and developed under Stalin by his odious police chief, Lavrentii Beria. After the Communist Chinese, having deployed narcotics against their own people prior to seizing power in 1949, had extended their drug operations internationally, the Soviets embarked in earnest, on Khrushchev's orders, upon their own drugs offensive – reinforcing a revolutionary campaign to demoralise the West by degrading society's morals and institutions, a strategy elaborated by the founder of the Italian Communist Party, Antonio Gramsci. **Dr Joseph D. Douglass**, the world's leading expert on the political use of narcotics, explains how a Czech defector, the late General Jan Sejna, alerted the West to this diabolical offensive – and how corrupt and irresolute Western officials and banks have chosen to ignore the ugly reality, for reasons of expediency and 'political correctness'. ■

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